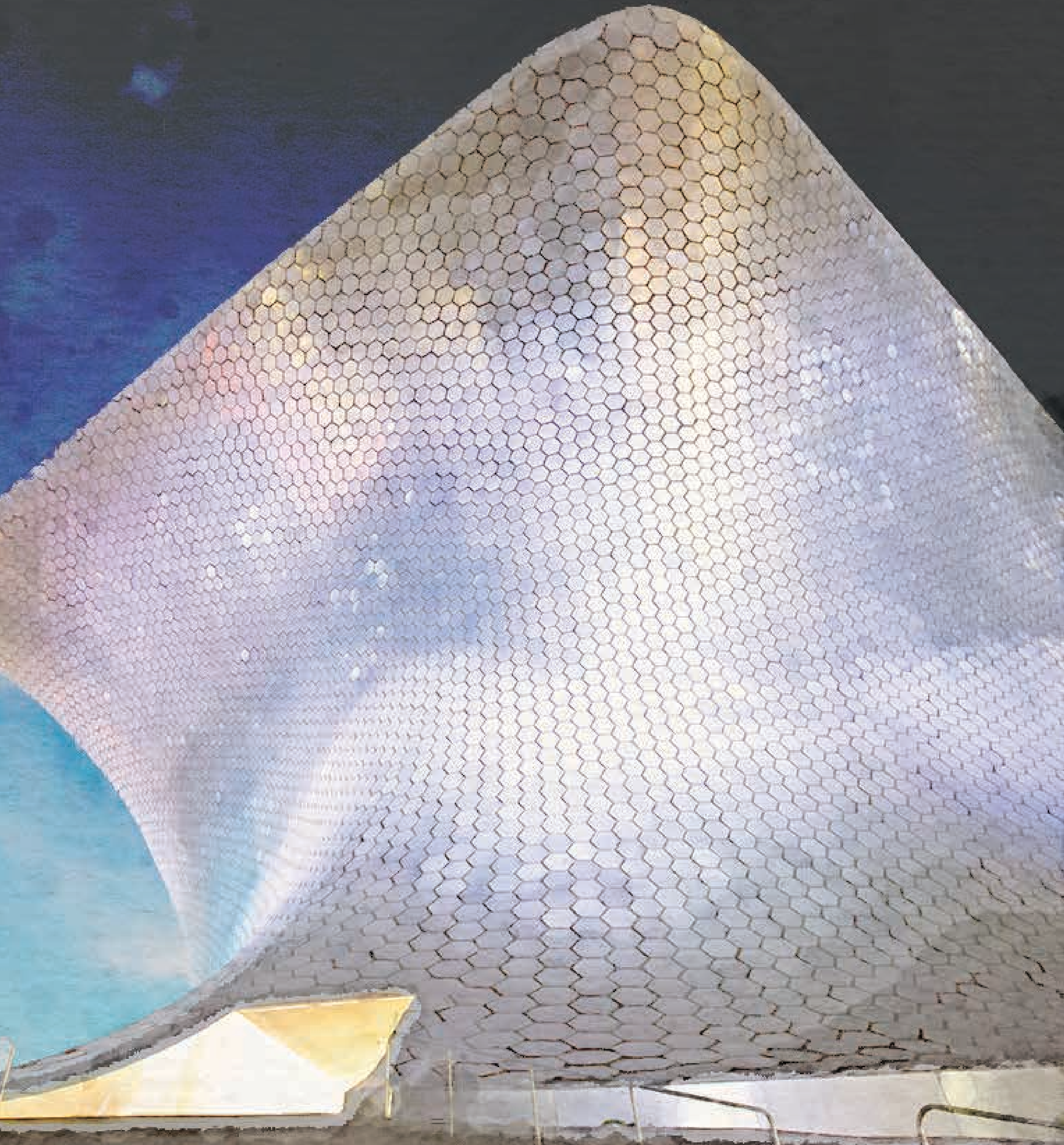
INBURSA
Grupo Financiero

Annual Report 2020



Mission:

A Financial Group committed to working for Mexico, and consisting of the best human capital, created to watch over and grow as efficiently as possible our customers' and partners' resources.

Vision:

To be leaders in Mexico's growing financial sector with profitability for our customers, collaborators and partners.

Values:

- Commitment to Mexico
- Long-term vision
- Comprehensive staff development
- Integrity
- Austerity
- Innovation

Key Capacities

- Operating Efficiency.
- Customer & Service oriented.
- Lean structure with good communication and clear leadership.
- Focused on results.
- Wise selection of risks.

Content

Émile-Antoine Bourdelle
(Montauban, Midi-Pyrenees, France, 1861 -Vésinet, Île de France, France, 1929)

Bareback Horse [study for the sculptural group Monument to general Carlos María de Alvear (1789-1852), in Buenos Aires, Argentina]
Bareback Horse
Conception: 1915
Foundry by Valsuani
Bronze with brown and green patina
43.2 x 16.4 x 36.3 cm.
Richard Aurili
(Naples, Campania, Italy, 1834-1914)

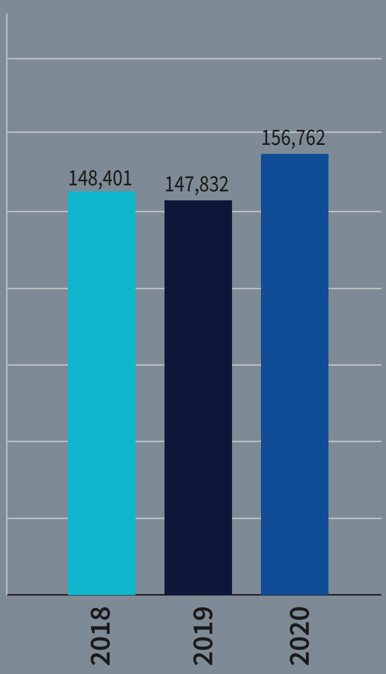
Stockholders' Equity

(Million pesos)

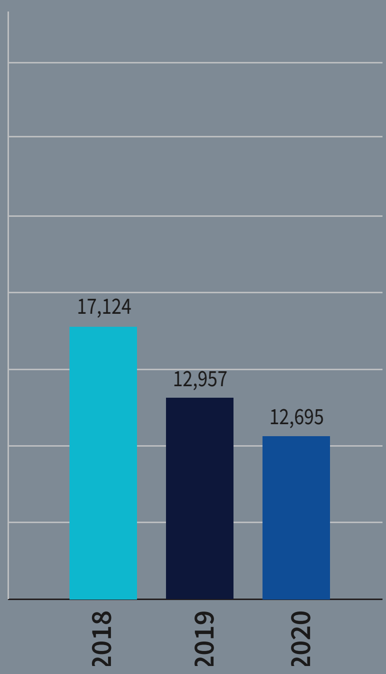
Relevant Figures

(Million pesos)

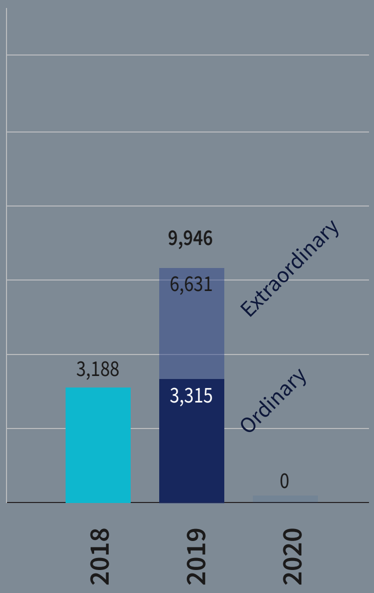
Stockholders´Equity



Net Profit



Dividends



GFI Financial Information

Million pesos

Net Result	2018	2019	2020	% var 2020 vs. 2019	% var 2020 vs. 2018
Grupo Financiero Inbursa	**17,124**	**12,957**	**12,695**	**-2.0%**	**-25.9%**
Banco Inbursa	11,975	7,050	7,143	1.3%	-40.4%
Inversora Bursátil	509	410	520	26.8%	2.2%
Operadora Inbursa	283	344	440	27.9%	55.5%
Seguros Inbursa	2,895	3,689	2,894	-21.6%	0.0%
Pensiones Inbursa	1,035	140	-391	N.A.	N.A.
Seguros de Caución y Fianzas	604	693	549	-20.8%	-9.1%

Assets	2018	2019	2020	% var 2020 vs. 2019	% var 2020 vs. 2018
Grupo Financiero Inbursa	**509,501**	**486,095**	**522,829**	**7.6%**	**2.6%**
Banco Inbursa	415,373	381,840	405,031	6.1%	-2.5%
Inversora Bursátil	9,069	8,219	19,276	134.5%	112.5%
Operadora Inbursa	2,577	2,940	3,384	15.1%	31.3%
Seguros Inbursa	72,608	67,498	69,652	3.2%	-4.1%
Pensiones Inbursa	12,001	9,635	9,143	-5.1%	-23.8%
Seguros de Caución y Fianzas	4,189	4,980	5,663	13.7%	35.2%

Stockholder´s Equity	2018	2019	2020	% var 2020 vs. 2019	% var 2020 vs. 2018
Grupo Financiero Inbursa	**148,401**	**147,832**	**156,762**	**6.0%**	**5.6%**
Banco Inbursa	114,917	99,299	102,858	3.6%	-10.5%
Inversora Bursátil	2,901	3,311	3,831	15.7%	32.1%
Operadora Inbursa	2,391	2,735	3,175	16.1%	32.8%
Seguros Inbursa	16,694	15,145	17,808	17.6%	6.7%
Pensiones Inbursa	11,354	8,980	8,590	-4.3%	-24.3%
Seguros de Caución y Fianzas	2,504	3,188	3,829	20.1%	52.9%

Dividends Paid	2018	2019	2020	% var 2020 vs. 2019	% var 2020 vs. 2018
Ordinary	3,188	3,315	-	N.A.	N.A.
Extraordinary	-	6,631	-	N.A.	N.A.
Total	**3,188**	**9,946**	**-**	**N.A.**	**N.A.**

Auguste Rodin
François-Auguste-René Rodin
(Paris, Île-de-France, France, 1840 - Meudon, Île-de-France, 1917)

The Gates of Hell (Porte de l'Enfer).
Conception: 1880-1917
Foundry: 8/8, 2013-2015, de Coubertin
Bronze with light brown patina

Infrastructure

	2018	2019	2020
Employees	11,827	11,812	10,901
ATMs (Inbursa and alliances)	4,928	5,138	5,190
Branches	904	884	749
Salesforce	20,851	20,150	18,831

Indicators

	2018	2019	2020
Credit Portfolio / Total Assets (Bank)	60.2%	65.2%	56.4%
Past Due Portfolio / Credit Portfolio (Bank)	2.4%	2.1%	2.2%
Preventive Reserves / Past Due Portfolio (Bank)	1.6	1.7	2.0

Shareholders' Report

Economic Environment 2020

2020 was marked by a global crisis triggered by the COVID-19 pandemic in which cases have already surpassed more than 100 million across the world sadly with several million deaths. Restrictions on movement to mitigate the spread of the virus (in addition to not knowing robust treatments to fight it), have generated temporary substantial closures of a large number of world economies. This is particularly clear in the first half of the year, where the world's GDP decreased by -8.93% during the second term and by -3.50% during the whole of 2020, despite unprecedented fiscal stimulus.

The United States' economy shrank by 3.50%, mainly due to increased demand in the service sector, which saw a fall of 7.31%, as well as a lower gross fixed investment of 5.27%. Against this backdrop, the Federal Reserve reduced the reference interest rate on two occasions, in order to finish the year in a range between 0.00% and 0.25%. Additionally, fiscal stimuli of around 3.5 trillion dollars were given during 2020, growing public debt as a percentage of GDP from 108.68% to 131.18%.

In Mexico, GDP revealed a decrease of 8.46%, with secondary activities having the biggest impact (-10.20%), with construction and manufacturing being the most affected falling by 17.42% and 10.34% respectively. Tertiary activities, which represent 64.05% of economic activity, fell by 7.85%, mainly affected by trade which decreased by 9.67% and by tourism.

The Mexican peso closed at $19.91 against the dollar, devaluing by 5.22%, showing high volatility during the start of the pandemic and reaching a maximum of $25.36. Its recovery occurred towards the end of the year through a current account surplus that reached $26,571 million dollars, representing 2.41% of the GDP as well as the interest rate differential between Mexico and the United States. Banxico lowered the reference tax seven times during 2020 to close at 4.25% from the 7.25% from the previous year.

Inflation in Mexico closed at 3.15%, the underlying component increased by 3.80%, balanced out by the slight rise in the non-underlying inflation by 1.18%, which benefited from the fall in oil prices and, in particular, petrol prices which saw an adjustment of 8.9% during the year.

The trade balance saw a historical surplus of $34,476 million dollars compared to $5,409 GDP from the previous year. The oil balance reached a deficit of $13,995 million dollars ($7,370 million dollars less than in 2019) and the non-oil balance increased its surplus $21,698 million dollars to end at $48,471 million pesos. Within exports, manufacturing –being the most relevant– fell 8.82% and imports decreased in all sectors: highlighting the fall in consumer goods of 26.20% and in capital in 16.87%. The latter is explained by the decrease in countrywide investment.

Public balance had a deficit of -674,160 million pesos (2.90% of the GDP) compared to the previous year deficit of -393.608 million pesos (1.60% of the GDP); this increase is due to smaller revenues (-4.10% real), mainly affected by the oil sector which fell 38.70% in real terms, unable to have been compensated for due to the fall in real spending of 4.90%.

At the onset of the pandemic, the Carlos Slim Foundation acted with urgency and despite the uncertainty and unknown behavior and reach of this new virus, necessary actions were identified and implemented, such as:

- Donation of equipment and reagents for PCR, antigen and serology tests; as well as ventilators and medicines.
- Provision of personal protective equipment to healthcare personnel – such as N95 masks, gloves and gowns.
- We supported healthcare staff in 35 hospitals with food.
- In order to accelerate access to the vaccine, the necessary covenants were undertaken, taking on the risk of AstraZeneca technology transfer to ensure the production of at least150 million doses in and for Latin America with the mAbxience lab in Argentina and Liomont in Mexico.
- In terms of hospital capacity expansion, several hospitals were supported, with the Unidad Temporal being of particular significance as it has changed the destiny and life of thousands of people and their families. This Unit had to be extended in time and capacity as circumstances changed, becoming with its 607 beds a key part of COVID care in Mexico City. It must be noted that it has an exceptional team of staff that have looked after more than 8,000 people and which will remain operational for as long as it is needed.
- The monitor system was established; it has been instrumental in preventing the spread of the virus and to provide timely medical assistance to our collaborators, lowering severe cases and deaths.

Grupo Financiero Inbursa

With the fall in economic activity due to the pandemic significant challenges are expected for financial institutions. In this environment, Inbursa has liquidity and capitalization indexes which are far superior to those sought by legal requirements and norms and remains as one of the best reserved and capitalized banks in Mexico, with a capitalization index of 18.66% at the close of December 2020, which compares favorably with that of the market average. This index shows, apart from financial robustness, the capacity Inbursa has to continue participating prudently in the credit market.

Inbursa posted earnings of $12,695 million pesos at the close of December 202 compared with $12,957 million pesos at the close of December 2019, which is explained mainly by the solid operating results from the various subsidiaries, the construction of additional credit reserves alongside losses in the intermediation result.

During 2020, the financial margin remained approximately at the same levels even though the credit portfolio decreased 8.2%. Similarly, charged commissions and tariffs (net) posted earnings of $3,344 million pesos at the close of 2020 which compares with $2,875 million pesos during the same period the year before, which represents growth of 16.3%.

The creation of credit reserves increased 27.6% going from $7,293 million pesos in 2019 to $9,307 million pesos in 2020 as a consequence of the COVID-19 pandemic. Following on from this situation, it was decided during 2020 to create preventive estimates for additional credit risks for $1,421 million pesos on the consumption and commercial portfolios.

The result comes alongside smaller losses in the intermediation result going from $2,402 million pesos in 2019 to $1,631 million pesos in 2020.

The total credit portfolio was $228,443 million pesos which represents a decrease of 8.2% which is explained mainly by a smaller consumer credit and government institutions portfolios. The business or commercial activities portfolio went from $162,928 million pesos to $173,585 million pesos when comparing 2019 and 2020, while the credit to government bodies portfolio decreased from $27,103 million pesos to $12,673 million pesos during the same period.

The preventive risk allowance for loan losses was $10,201 million pesos. On aggregate this amounts to a hedging of 2x delinquency and 4.5% of the total credit portfolio. Delinquency was $5,052 million pesos during 2020 which represents a 2.1% indicator of the total portfolio and is for the most part, secured with assets whose current value is greater than the amount of credit. It is worth noting that Banco Inbursa has not taken out any accounting facility authorized by the CNBV towards credit restructuring. Delinquency, provisions and credit portfolio disruptions are accounted for as we have always done.

In the current environment, we have implemented different operating measures with the aim of optimizing resources, continue to permanently improve service and adapting processes for awarding credit, undertaking restructuring for the amount of $6,719 million pesos and the construction of additional credit reserves, among others.

We offer our wide service portfolio in a comprehensive manner, meeting the diverse needs of our client base, consolidating therefore both the loyalty of our customers and the preference of new customers. The wide range of services is managed under one organization as a single business increasing efficiency, preference and confidence in our services, allowing us to better exploit the synergies for growth and profitability of each business segment.

The business model capitalizes on our integrated corporate structure, with a solid distribution platform offering our complete range of products, with a single database, one systems platform for all our products and a shared infrastructure. All of this allows us to actively offer integrated and personalized solutions to each of our clients in a quality, consistent, low-cost and high-efficiency framework.

We focus our distribution efforts into integrated channels, rather than into each product. Furthermore, our clients have access to diverse channels such as the i-movil app, call centers, an internet portal and strategic alliances with different self-service and telecommunications chains for payments and deposits. Similarly, our focus on reaching out to our customers, promotion our integral services portfolio and sales of complementary services and products, as well as our emphasis on the strength and efficiency of our efforts and labors, allow us to have a flexible, efficient costs model which is managed within an appropriate selection and control of risk.

Inbursa closed the year with 749 offices that support and complement the commercial work of 18,831 financial advisors that constitute our salesforce, allowing us to maintain an index of operating efficiency (management costs over financial margin, net fees and other operating revenues), of 33.0% in 2020 which compares favorably with the Mexican market average.

Through our branch network we capture sight and term deposits from the general public closing the year with a balance of $177,442 million pesos which represent 75.7% of traditional streams. At the close of 2019 the retail deposits were $163,772 million pesos. It is worth noting that, as part of our funding strategy we have gradually replaced part of our money market deposits and stock certificates with retail deposits and development banking loans with longer terms, contributing to greater funding stability. The rating of each issue is “mxAAA” by Standard & Poors and “HR+1” from HR Ratings.

Equity was $156,762 million pesos, representing a decrease of 6.0% when compared to the same period the year before. In keeping with recommendations issued by CNBV during 2020 the Society did not pay out any dividends.

It is important to note that to 31 December 2019 and 2020, Seguros Inbursa paid out $482 million pesos and $740 million pesos, respectively, from its earthquake catastrophic loss reserves with $50 million pesos and $362 million pesos, respectively, from the hurricane and hydrometeorological risk reserves.

At the beginning of this year and subject to the relevant corporate and government authorizations, Inbursa made it known to the investing community its intention to split a small part of its assets, liabilities and capital from its Promotora Inbursa and Sinca Inbursa subsidiaries.

The proposed split will create a new society whose shares will be traded in the stock market and its main aim is to broaden the investment portfolio and continue helping the speeding up and strengthening of business and projects in various sectors.

For each Inbursa share held by stockholders on the date of the proposed split, they will receive a share for the new company resulting from said split.

The split being proposed will have no impact on Inbursa’s robustness or that of its subsidiaries, nor on Banco Inbursa’s capitalization indexes which will remain well above the legal and regulatory requirements.

Inbursa with over 55 years’ experience is more likely to take advantage of growth opportunities given the high potential for cross sales and increase in market participation.

The development of Inbursa is based on its operating efficiency, service culture, broad client base, careful risk selection, financial strength, state of the art technology, asset quality and above all, its human capital which works in coordination and is always aware that everything can be improved, seeking to optimize products and processes to continue being different and better for the benefit of our clients, collaborators and partners.

Jean-Baptiste Carpeaux
(Valenciennes, France 1827 – Courbevoie, France 1875)
Ugolin and his sons
1863
Plaster and black patina

Membership of the Board of Directors

Non-Independent Directors

Propietary	Substitute
Marco Antonio Slim Domit (President)	
Javier Foncerrada Izquierdo (General Director)	
Arturo Elías Ayub	
Juan Fábrega Cardelus	
Patricia Raquel Hevia Coto	
Jordi Morera Conde	
Héctor Slim Seade	Héctor Slim Barrios Gómez

Independent Directors

Antonio Cosío Pando
Agustín Franco Hernaiz
Patricio Gutiérrez Fernández
David Antonio Ibarra Muñoz
Juan Ramón Lecuona Valenzuela

Main Inbursa Officials

Guillermo René Caballero Padilla
General Directorate of Legal and Institutional Affairs

Cirilo Guzmán Florentino
Internal Audit Director

Raúl Reynal Peña
Administration and Finance Director

Chief Executive Officers

Marco Antonio Slim Domit
GRUPO FINANCIERO INBURSA, S.A.B. DE C.V.
Chairman of the Board

Antonio Cosío Pando
COMPAÑÍA INDUSTRIAL DE TEPEJI DEL RÍO, S.A. DE C.V.
CEO

Arturo Elías Ayub
TELÉFONOS DE MÉXICO, S.A.B. DE C.V.
Communications, Institutional Relations and Strategic Alliances Executive Officer

Juan Fábrega Cardelus
CAIXABANK, S.A.
Executive Director

Agustín Franco Hernaiz
GRUPO PISCIMEX, S.A. DE C.V.
Chairman of the Board

Patricio Gutiérrez Fernández
GRUPO IDESA, S.A. DE C.V.
Chairman of the Board

Javier Foncerrada Izquierdo
GRUPO FINANCIERO INBURSA, S.A.B. DE C.V.
CEO

Patricia Raquel Hevia Coto
AMÉRICA MÓVIL, S.A. DE C.V.
Strategic Planing

David Ibarra Muñoz
IDEAL, S.A.B. DE C.V.
Management Board

Juan Ramón Lecona Valenzuela
RED NACIONAL ÚLTIMA MILLA S.A.P.I DE C.V.
Management Board

Jordi Morera Conde
CRITERIA CAIXA
Banking Investment Director

Hector Slim Barrios Gómez

Héctor Slim Seade
TELÉFONOS DE MÉXICO, S.A.B. DE C.V.
CEO

GFI Chief Executive Officer		Joined GFI
Grupo Financiero Inbursa	Javier Foncerrada Izquierdo	1992
Seguros Inbursa	Rafael Audelo Méndez	1980
Pensiones Inbursa	Guillermo René Caballero Padilla	1994
Afore Inbursa	José Ignacio Jiménez Santos	2006
Seguros de Caución y Fianzas	Rafael Mendoza Briones	1993
Operadora Inbursa	Ernesto Vega Navarro	2006
Inversora Bursátil	José Antonio Ponce Hernández	1991

Banco

Banco Inbursa posted profits of $7,143 million pesos at the close of December 2020 compared to $7,050 million pesos at the close of December 2019 which is explained mainly through solid results in the operation of the different subsidiaries, the constitution of additional credit reserves alongside losses resulting from intermediation.

During 2020 the financial margin remained approximately around the same level even though the credit portfolio diminished 8.2%. Similarly, commissions and tariffs charged (net) represented income of $5,145 million pesos at the close of 2020 compared with $4,940 million pesos in the same period the year before, representing a 4.1% increase.

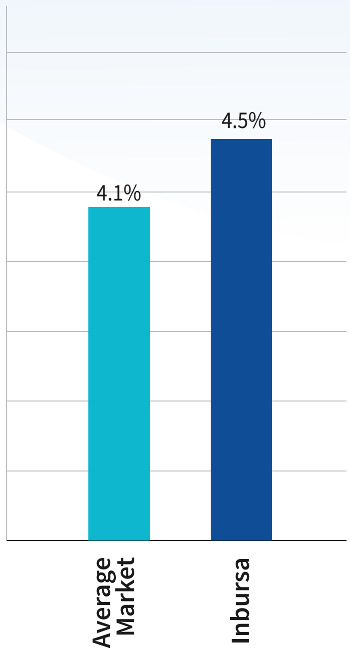
The creation of credit reserves increased 27.6% from $7,293 million pesos in 2019 to $9,307 million pesos in 2020 as a consequence of the COVID-19 pandemic. As a result of this ongoing situation during 2020it was decided to constitute additional preventive estimates for credit risk for $1,421 million pesos above the consumption portfolio.

The result is presented alongside minor losses in the brokering result going from $2,880 million pesos in 2019 to $1,217 million pesos in 2020.
It is important to note that 4,338 employees were transferred to the Society during 2019, which meant that the managing and promotion expenditure increased 8.5% from $9,631 million pesos in 2019 to $10,452 million pesos in 2020.

The overall credit portfolio was $228,443 million pesos which represents a decrease of 8.2% explained mainly by a smaller credit portfolio for consumer activity and government entities. The credit portfolio for business or commercial activities went from $162,928 million pesos to $173,585 million pesos when comparing 2019 against 2020, while the credit portfolio for government entities decreased from $27,103 million pesos to $12,673 million pesos in the same period.

The preventive risk allowance for loan losses was $10,201 million pesos. On aggregate this amounts to a hedging of 2x delinquency and 4.5% of the total credit portfolio.

Preventive Reserves/ Total Portfolio



Delinquency was $5,052 million pesos during 2020 which represents a 2.1% indicator of the total portfolio and is for the most part, secured with assets whose current value is greater than the amount of credit. It is worth noting that Banco Inbursa has not taken out any accounting facility authorized by the CNBV towards credit restructuring. Delinquency, provisions and credit portfolio disruptions are accounted for as we have always done.

In the face of the current environment, we have implemented different operating measures towards optimizing resources, permanently improving service and adapting processes for awarding credit, undertaking restructuring for the amount of $6,719 million pesos and the construction of additional credit reserves, among others.

We offer our wide service portfolio in a comprehensive manner, meeting the diverse needs of our client base, consolidating therefore both the loyalty of our customers and the preference of new customers.

The wide range of services is managed under one organization as a single business increasing efficiency, preference and confidence in our services, allowing us to better exploit the synergies for growth and profitability of each business segment.

The business model capitalizes on our integrated corporate structure, with a solid distribution platform offering our complete range of products, with a unique database, a single systems platform for all our products and a shared infrastructure. All of this allows us to actively offer integrated and personalized solutions to each of our clients in a quality, consistent, low-cost and high-efficiency framework.

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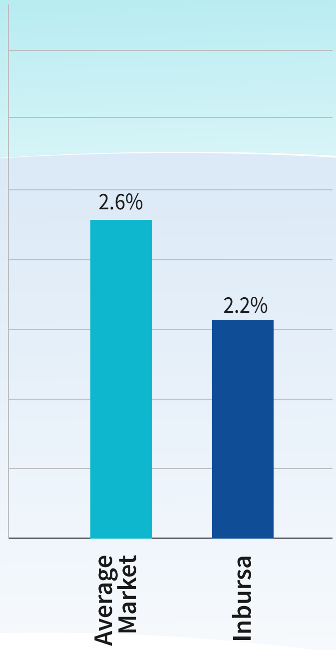
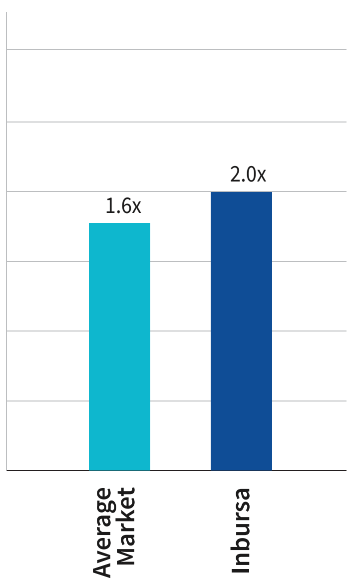
Delincuency Index



Hedging



Banco Inbursa closed the year with 749 offices that support and complement the commercial work of 18,831 financial advisors that constitute our sales force, allowing us to maintain an index of operating efficiency (management costs over financial margin, net fees and other operating revenues), of 35.4% in 2020 which compares favorably with the Mexican market average.

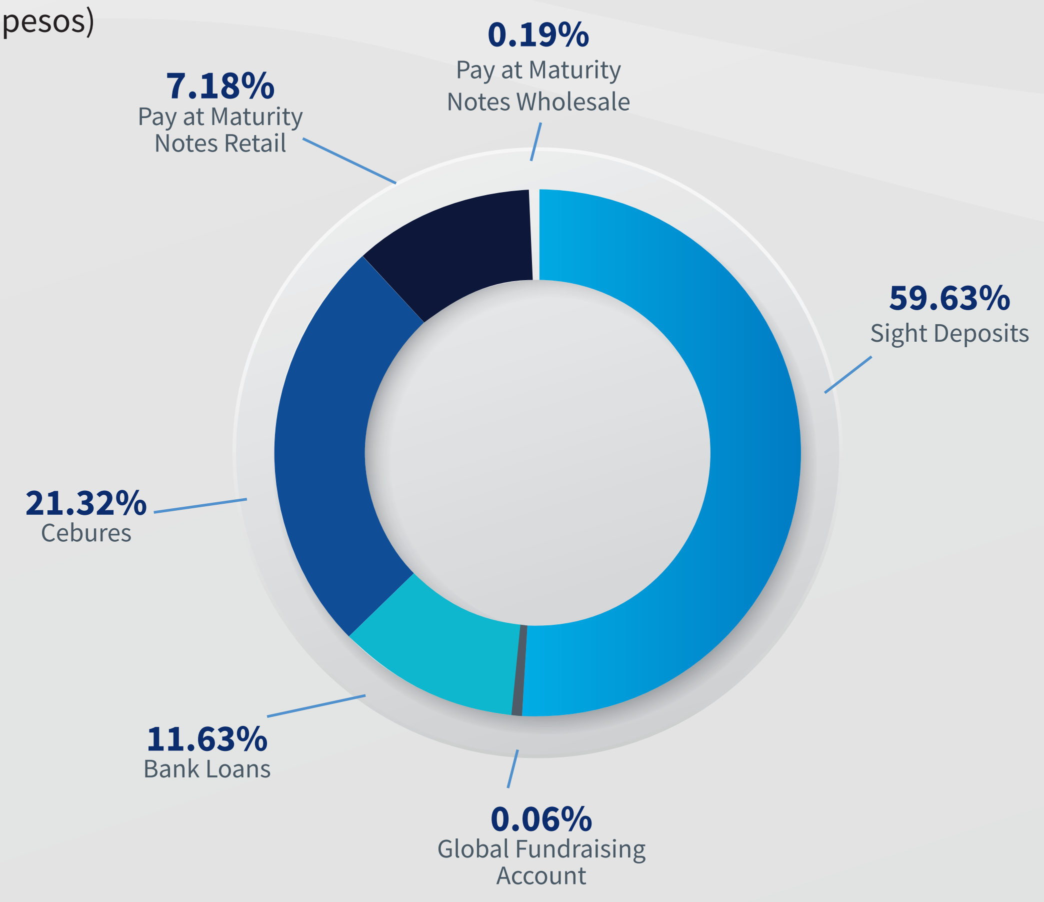
Through our branch network we capture sight and term deposits from the general public closing the year with a balance of $178,154 million pesos which represent 75.6% of traditional streams. At the close of 2019 the retail deposits were $164,519 million pesos. It is worth noting that, as part of our funding strategy we have gradually replaced part of our money market deposits and stock certificates with retail deposits and development banking loans with longer terms, contributing to greater funding stability. The rating of each issue is “mxAAA” by Standard & Poors and “HR+1” from HR Ratings.

Equity was $102,858 million pesos, representing a decrease of 3.6% when compared to the same period the year before. In line with recommendations issued by CNBV during 2020 the Society did not pay out any dividends.

Revenue Streams

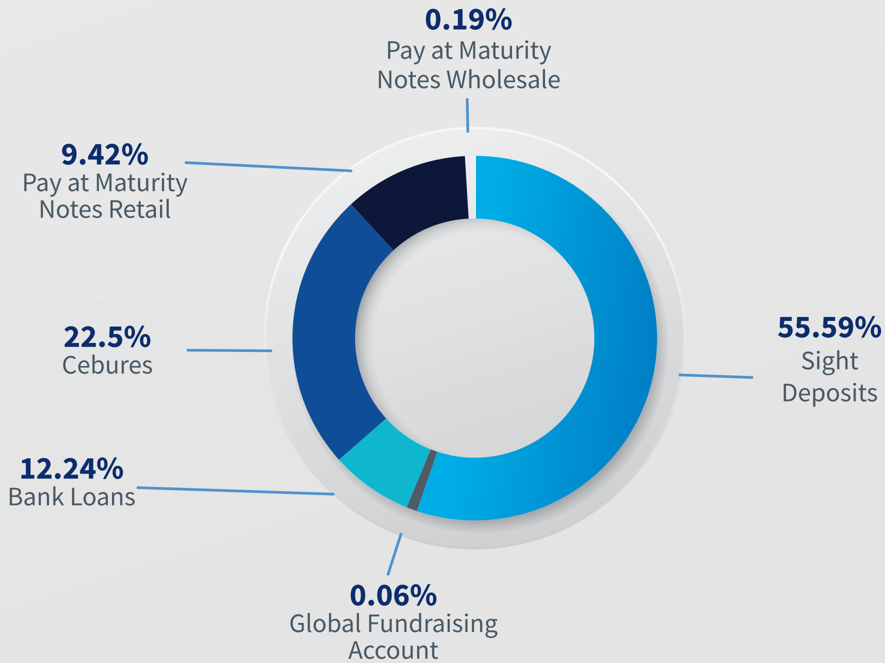
2020

(266,665 Million pesos)



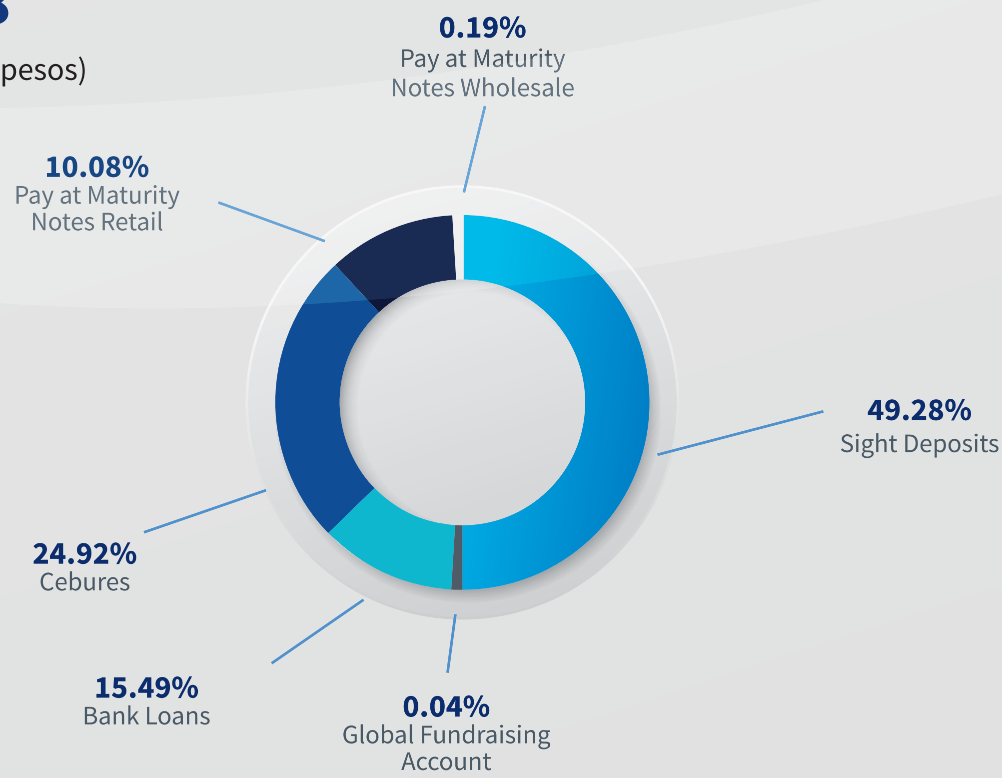
2019

(253,064 million pesos)



2018

(252,427 million pesos)



Afore

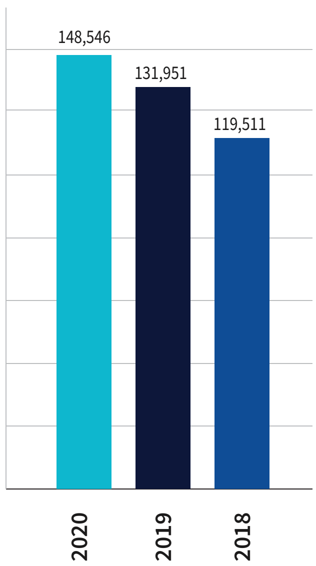
Afore Inbursa made $1,286 million pesos in revenue from commissions during 2020, which represents an increase of 7.9% when compared with the same period the year before with growth of 12.6% in managed assets, going from $131,951 million pesos in 2019 to $148,546 million pesos in 2020 and with a market share of 3.1%.

In terms of client numbers it closed 2020 with 399,639 which represents a market share of 2.1%. Net profit for Afore Inbursa at the close of 2020 was $548 million pesos which compares with $530 million pesos in 2019. This result is a consequence of higher earnings from commissions charged, partially compensated by an increase in acquisition cost.

Stockholders' equity was $2,171 million pesos at the close of 2020 compared with $2,148 million pesos at the close of 2019 which represents an increase of 1.1%. During 2020 dividends worth $525 million pesos were paid; adjusting for the effect of these, the increase in stockholders' equity would have been 25.5%.

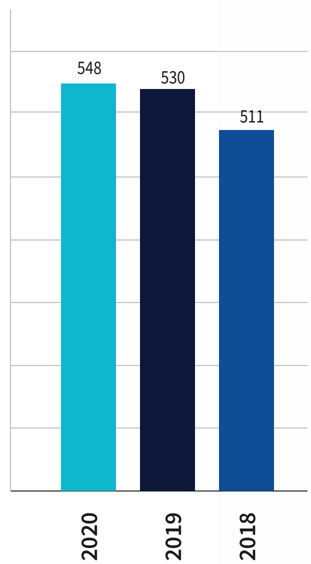
Managed Assets

Million pesos

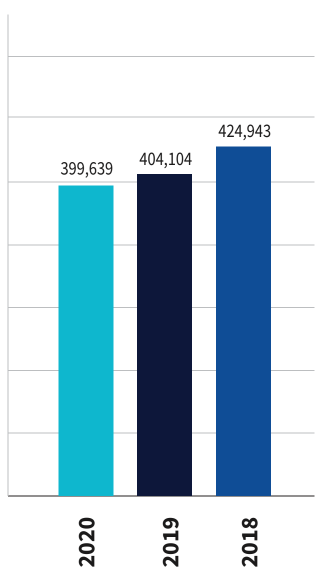


Net Profit

Million pesos

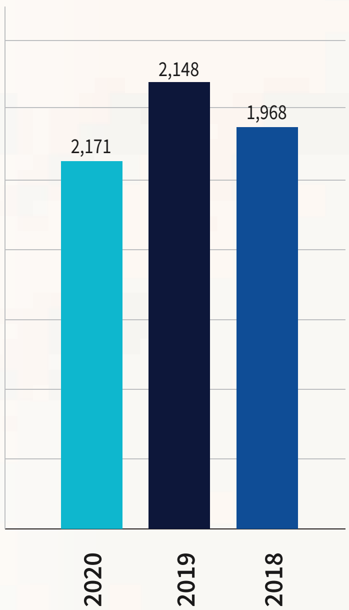


Members



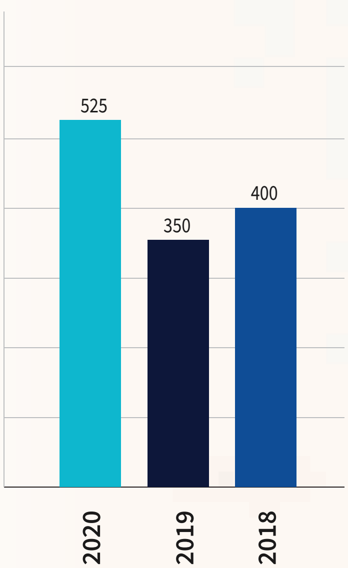
Stockholders' Equity

Million pesos



Dividends

Million pesos



Salvador Dalí
(Figueras, Spain, 1904 - 1989)
Perseus. Homage to Benvenuto Cellini
Conceived in 1976
Bronze with brown and green patina

Operadora

To 31 December 2020, Operadora Inbursa manages the following investment funds:

1 Fondo de Dinero Inbursa, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (“DINBUR 1”),
2 Fondo de Dinero Empresarial Inbursa, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (“DINBUR 2”),
3 Dinbur 3, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (“DINBUR 3”),
4 Inburex, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (“INBUREX”),
5 Inbumax, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (“INBUMAX”),
6 Fondo Inbursa, S.A. de C.V., Fondo de Inversión de Renta Variable (“INBURSA”),
7 Fondo Dinámico de Inversiones Bursátiles, S.A. de C.V. Fondo de Inversión de Renta Variable (“FONIBUR”),
8 Ibuplus, S.A. de C.V. Fondo de Inversión de Renta Variable (“INBUPLUS”), y
9 Inburmex, S.A. de C.V. Fondo de Inversión de Renta Variable (“INBUMEX”),
10 Inbuinter, S.A. de C.V., Fondo de Inversión de Renta Variable (“INBUINT”).

Fondo Inbursa, S.A de C.V., Fondo de Inversión de Renta Variable (INBURSA) posted assets worth $13,040 million pesos to 31 December 2019 and presents an average compound annual yield in US dollars of 14.79% for the period between 31 March 1981 and 31 December 2020. The IBUPLUS, S.A. de C.V, Fondo de Inversión de Renta Variable (IBUPLUS) and Fondo Dinámico de Inversiones Bursátiles, S.A. de C.V., Fondo de Inversión de Renta Variable (FONIBUR) funds show portfolios at the end of year of $36,076 million pesos and $11,186 million pesos, respectively.

As far as performance of mutual funds in debt instruments is concerned, Inburex, S.A de C.V., Sociedad de Inversión en Instrumentos de Deuda para Personas Morales (INBUREX), closed 2019 with assets worth $20,666 million pesos.

Fondo de Dinero Inbursa, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (DINBUR1) had an annual yield of 3.23% and assets worth $6,409million pesos. Likewise, Inbumax, S.A. de C.V., Fondo de Inversión en Instrumentos de Deuda (INBUMAX) had an annual yield of 4.07% and a portfolio worth $21,607 million pesos.

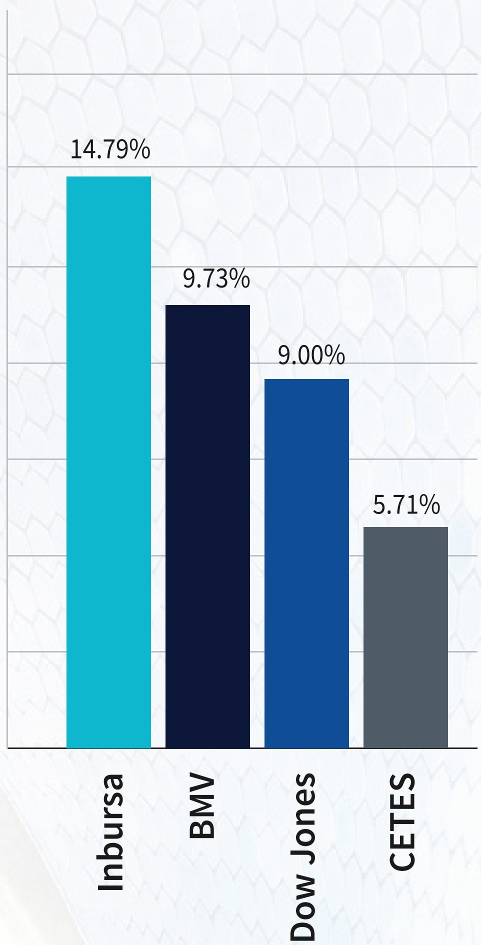
Inburmex, S.A. de C.V., Fondo de Inversión de Renta Variable (INBUMEX), whose assets are also managed by Operadora Inbursa, closed 2020 with assets worth $263 million pesos.

In 2020, Operadora Inbursa posted profits of $440 million pesos which compares with $344 million pesos obtained in 2019.

Operadora Inbursa’s stockholders’ equity was $3,175 million pesos compared to $2,735 million pesos in 2019.

Average Compound Annual Yield in US Dollars

(From March 31st 1981 to December 31st 2020)



Museo Soumaya
Opening: March 29, 2011

Seguros

Total Seguros Inbursa premiums amounted to $19.582 million pesos which means an increase of 1.0% if its compared with the same period the year before which was $19,389 million pesos.

Seguros Inbursa posted profits for $2,894 million pesos at the close of 2020, which compares with $3,689 million pesos in 2019. The result is explained mainly by a decrease in technical profits of 29.4% as a consequence of higher accident costs alongside lower income resulting from integral financing.

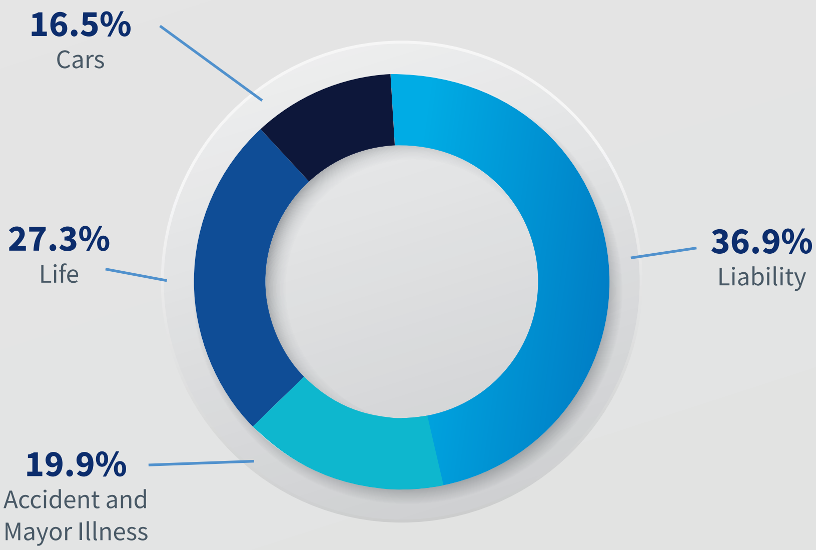
Accident costs went from $8,812 million pesos at the close of fiscal year 2019 to $10,068 million pesos in 2020 which represented an increase in the combined index which was 96.5%, taken as operating, acquisition and accident costs in relation to retained premiums. The combined index at the close of 2019 was 92.5%. It should be mentioned that during 2020 there were 3.014 accident costs in the life insurance branch related to the pandemic for a total amount of $703 million pesos.

It is important to note that to 31 December 2019 and 2020, Seguros Inbursa paid out $482 million pesos and $740 million pesos, respectively, from its earthquake catastrophic loss reserves with $50 million pesos and $362 million pesos, respectively, from the hurricane and hydrometeorological risk reserves.

Investments of the Seguros Inbursa business went from $44,991 million pesos in 2019 to $43,916 million pesos in 2020; a 2.4% decrease. This fund is invested 49.0% in government securities, 48.2%in private businesses securities and the remaining 2.8% in foreign securities.

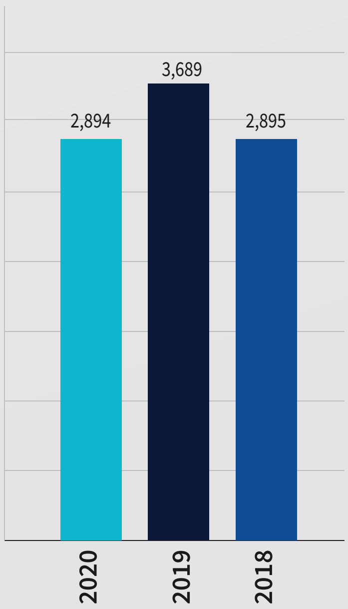
Stockholders' equity was $17,808 million pesos which compares to $15,145 million pesos in 2019, which represents an increase of 17.6%. In line with the recommendations issued by the Comision, during 2020 Seguros Inbursa did not undertake the payment of dividends.

Premiums by Business Lines



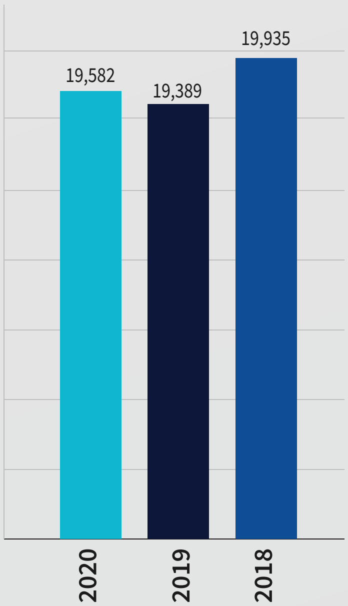
Net Profit

Million pesos



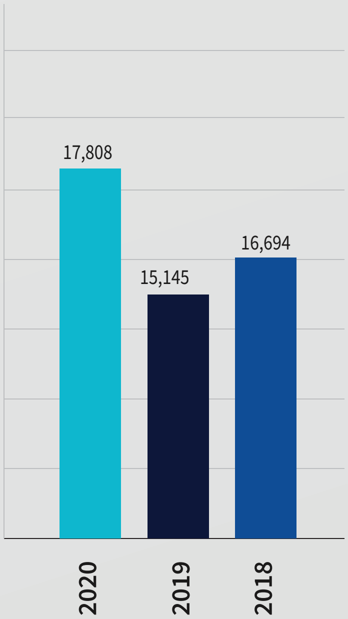
Total Premiums

Million pesos



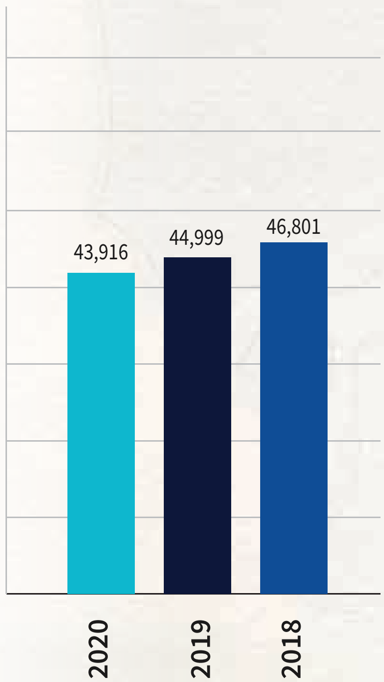
Stockholders' Equity

Million pesos

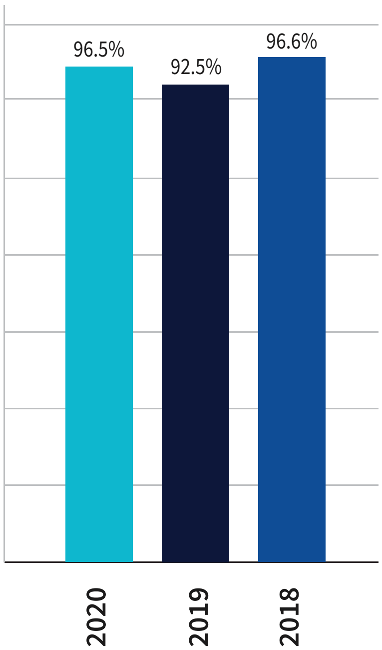


Investments

Million pesos



Combined Index



Museo Soumaya
Museum room 6

Pensiones

By the close of 2020, Pensiones Inbursa reported losses amounting to $391 million pesos compared to profits of $140 million pesos the year before.

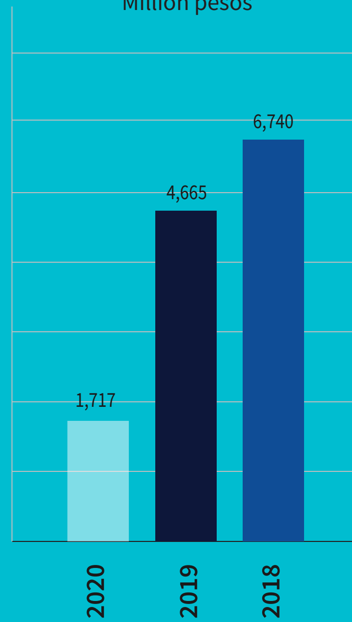
This result is explained by higher operating costs during 2020 when compared against 2019. It is worth mentioning that in July 2018 Pensiones Inbursa gave up most of its pension insurance portfolio derived from social security laws, changing the investment regime to real rate assets with profits of $1,471 million pesos before tax.

Investments in the pension business went from $4,665 million pesos in 2018 to $4,665 million pesos in 2019. Stockholder equity for Pensiones Inbursa was $8,980 million pesos in 2019 to $1,717 million pesos in 2020. Said fund is invested 54.6% in variable rent, 23.6% in foreign securities and the remaining 21.8% in government securities.

Pensiones Inbursa's stockholders' equity was $8,590 million pesos at the close of fiscal year 2020, 4.3% lower if compared to the close of 2019. In line with the recommendations of the Comision, during 2020 Pensiones Inbursa did not pay out any dividends.

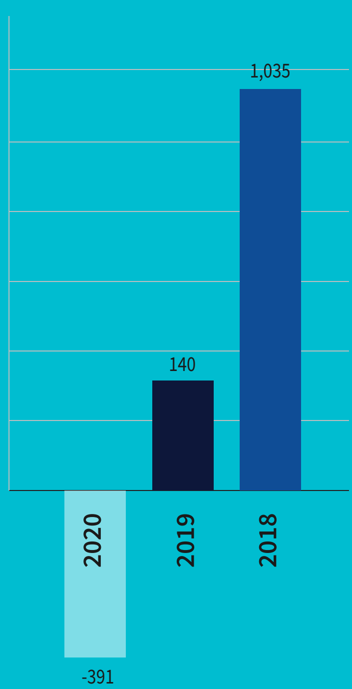
Investments

Million pesos



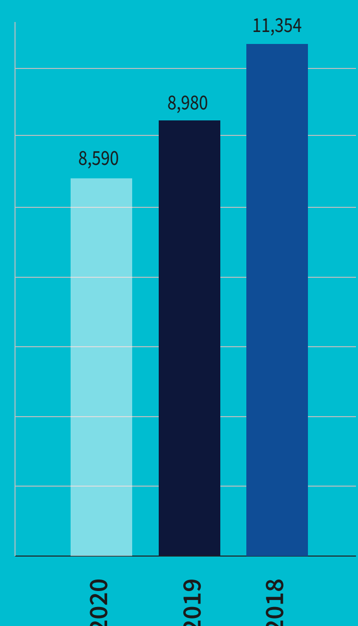
Net Profit

Million pesos



Stockholders' Equity

Million pesos



Inversora

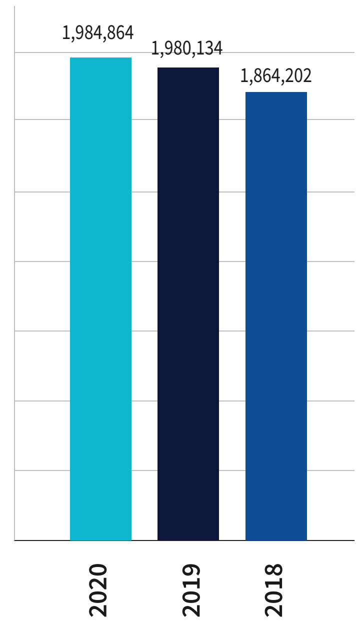
During 2020, Inversora posted profits for $520 million pesos, compared with $410 million pesos at the close of 2019, which represents an increase of 26.8%. The result is explained by higher commissions and tariffs charged which went from $473 million pesos in 2019 to $543 million pesos in 2020: 14.8% more. Additionally, there was a higher financial margin from intermediation showing growth of 14.6%.

During 2020 the assets held in custody amounted to $1,985 thousand million pesos.

Stockholders' equity of the Society grew by 15.7% in 2020, to reach $3,831 million pesos compared to the $3,311 million pesos in the previous year.

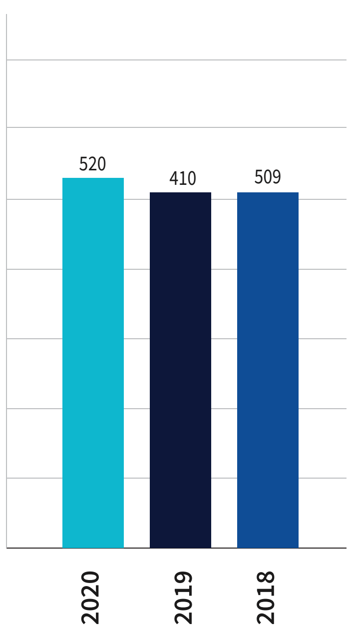
Managed Assets

Million pesos



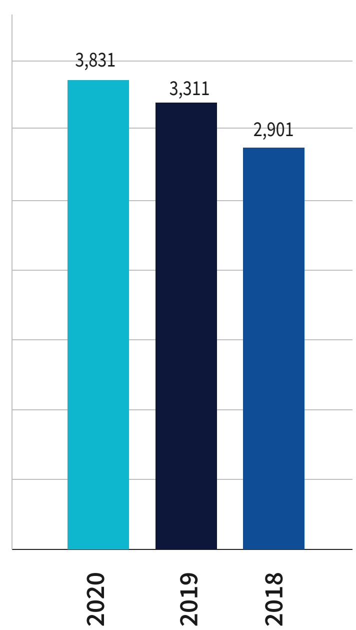
Net Profit

Million pesos



Stockholders' Equity

Million pesos



Seguros de Caución y Fianzas

At the close of the fiscal year in 31 December 2020, Seguros de Caucion y Fianzas reported premiums for $2,216 million pesos, representing an increase of 3.0% in comparison with $2,152 million pesos at the close of the previous year.

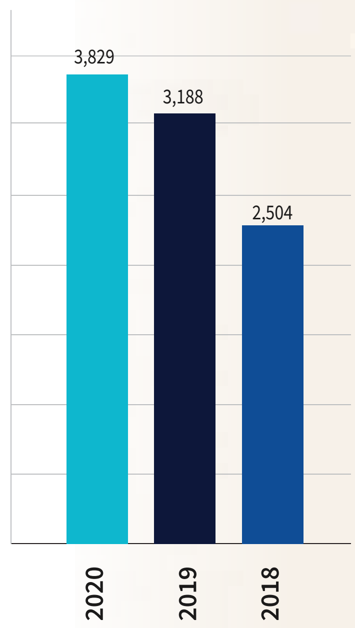
The net profits were $549 million pesos compared with $693 million pesos the previous year, which represents a decrease of 20.8%.

For their part, investments were at $3,248 million pesos at the close of the year 2020. Said fund in invested 76.8% in government securities and the remaining 23.2% in private business securities.

Stockholders' equity was $3,829 million pesos, which represents an increase of 20.1% if compared to the close of the 2019 period which was of $3,188 million pesos.

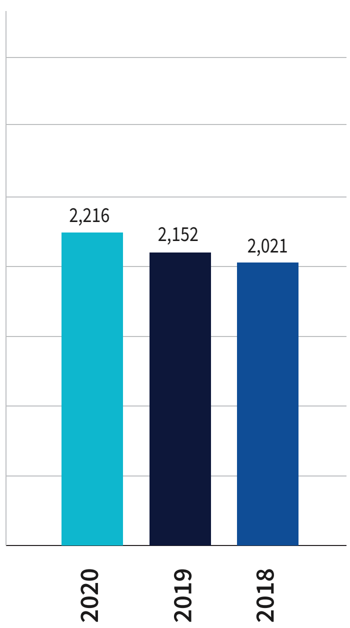
Stockholders' Equity

Million pesos



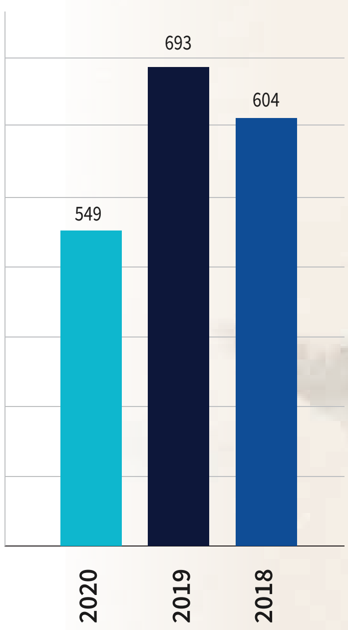
Total Premiums

Million pesos



Net Profit

Million pesos



Camille Claudel
(Villeneuve-sur-Fère, Francia, 1864 - Montdevergues,
Montfavet, France, 1943)
The Waltz (La valse) 1895
Bronze with brown finishing

Informe del Comité de Auditoría

Ciudad de México, a 20 de marzo de 2019.

H. Miembros del Consejo de Administración
Grupo Financiero Inbursa, S.A.B. de C.V.

Asunto: **Informe Anual de las actividades realizadas por el Comité de Auditoría.**

En términos de la fracción II del artículo 43 de la Ley del Mercado de Valores y en cumplimiento a las recomendaciones contenidas en el Código de Mejores Prácticas Corporativas, informamos sobre las actividades realizadas por el Comité de Auditoría de Grupo Financiero Inbursa, S.A.B. de C.V. (la "Sociedad" o "GFInbursa"), en el desempeño de sus funciones durante el ejercicio social concluido el 31 de diciembre de 2018.

El Comité de Auditoría, en su carácter de órgano auxiliar del Consejo de Administración, vigila la gestión, conducción y verificación de los negocios de la Sociedad y de las personas morales que esta controla y valida el desempeño de diversos procedimientos operativos de la Sociedad y en materia de control interno.

En cumplimiento de las principales funciones del Comité de Auditoria de la Sociedad, durante el año 2018 se realizaron las siguientes actividades:

a. Se verificó el estado que guarda el sistema de control interno y auditoría interna de la Sociedad, y de sus principales subsidiarias. Se ha mantenido informado al Consejo de Administración de manera oportuna, sobre algunas de las deficiencias y desviaciones detectadas y de los aspectos que requirieron una mejoría, detectados por el área de auditoria interna y por las autoridades encargadas de la supervisión y vigilancia de GFInbursa y sus subsidiarias como son la Comisión Nacional Bancaria y de Valores, la Comisión Nacional de Seguros y Fianzas, la Comisión Nacional del Sistema de Ahorro para el Retiro, el Banco de México, el Instituto para la Protección al Ahorro Bancario.

Se tomaron en consideración las opiniones, informes, comunicados y el dictamen de los auditores externos, así como los informes emitidos por los expertos independientes que hubieren prestado sus servicios durante el periodo. Con relación a lo anterior, se concluye que el sistema de control interno y de auditoria, favorecen el cumplimiento de las metas y objetivos institucionales, así como del marco legal que le es aplicable. No existen deficiencias y desviaciones que reportar en adición a aquellas que en su oportunidad se hubieren hecho del conocimiento a ese H. Consejo de Administración.

b. Respecto al seguimiento de las medidas preventivas y correctivas implementadas con motivo del incumplimiento a los lineamientos y políticas de operación y de registro contable de GFInbursa y sus subsidiarias, el área de auditoría interna ha notificado a este comité, el contenido de diversos oficios que fueron emitidos por las autoridades encargadas de la supervisión y vigilancia de GFInbursa y sus subsidiarias, así como de los resultados que emite el auditor externo independiente suscrito por el C.P.C. Jorge Adrián Ramírez Soriano del despacho Galaz, Yamazaki, Ruiz Urquiza, S.C. (miembro de Deloitte Touche Tohmatsu Limited), en alcance a los estados financieros consolidados del GFInbursa y sus subsidiarias, el cual, ha dado su opinión favorable, indicando que no se han identificado observaciones y/o sugerencias de control interno contable relevantes que informar.

De lo anterior, se concluye que no existen deficiencias o desviaciones relevantes que reportar en adición a aquellas que en su oportunidad se hubieren hecho del conocimiento a este H. Consejo de Administración.

c. En su sesión de abril de 2018, este H. Consejo de Administración ratificó la designación de la firma Galaz, Yamazaki, Ruiz Urquiza, S.C. (miembro de Deloitte Touche Tohmatsu Limited) como auditor contable externo del GFInbursa y sus subsidiarias, para realizar la auditoría a los estados financieros al cierre del ejercicio social 2018, quien cumple con los requisitos necesarios para el desempeño de sus funciones, valorándolos como satisfactorios para dictaminar los estados financieros de la sociedad, así como para proporcionar los servicios adicionales que, en su caso, se requieran.

Se designó al C.P.C. Jorge Adrián Ramírez Soriano para dictaminar dichos estados financieros, por su amplia experiencia y la capacidad demostrada en el desarrollo de sus revisiones anteriores.

d. En el periodo comprendido, se informó de los servicios adicionales realizados por el despacho Galaz, Yamazaki, Ruiz Urquiza, S.C. (miembro de Deloitte Touche Tohmatsu Limited) consistentes en:

   Se encuentra en elaboración el Estudio de Precios de Transferencia correspondiente a 2018. Este estudio incluye las principales operaciones propias de cada entidad financiera realizadas con las personas relacionadas en el GFInbursa y sus subsidiarias en comparación a las realizadas con empresas externas.

   Tales servicios adicionales no constituyen, en forma alguna, cambios a los estados financieros básicos consolidados, por lo que la prestación de éstos no afecta la independencia del auditor. Así también, la remuneración por los servicios descritos no es relevante en relación al pago por los servicios de auditoría.

e. A la fecha del presente informe, se recibieron los estados financieros consolidados dictaminados por el Auditor Externo para GFInbursa y subsidiarias en los que, la opinión general, es que se prepararon en todos los aspectos importantes, de conformidad con los Criterios Contables establecidos por la Comisión Nacional Bancaria y de Valores, a través de las Disposiciones aplicables. El área de Auditoria Interna dispuso la información que ha sido de su conocimiento y efectuó la gestión pertinente para facilitar la realización de la auditoria externa.

f. Durante el 2018 se presentaron modificaciones a las políticas contables del GFInbursa y sus subsidiarias las cuales se incluyen en las Disposiciones de carácter general aplicables para cada entidad así como en los oficios generales y particulares que ha emitido para tal efecto, las cuales requieren que la Administración del GFInbursa y sus subsidiarias efectúe ciertas estimaciones y utilice ciertos supuestos, para determinar la valuación de algunas de las partidas incluidas en los estados financieros y para efectuar las revelaciones que se requieren presentar en los mismos.

   NIF emitidas por el CINIF aplicables:

   Al 31 de diciembre de 2018, el CINIF ha promulgado las siguientes NIF y Mejoras a las NIF que pudiesen tener un impacto en los estados financieros.

   Con entrada en vigor a partir del 1 de enero de 2019:

   NIF D-5, Arrendamientos.- El reconocimiento contable para el arrendador no tiene cambios y sólo se adicionan requerimientos de revelación.

   Durante 2018 la Comisión modificó las Disposiciones con el objetivo de incorporar las siguientes NIF e indicar que su entrada en vigor será a partir del 1 de enero de 2020: B-17 "Determinación del valor razonable", C-3 "Cuentas por cobrar", C-9 "Provisiones, contingencias y compromisos", C-16 "Deterioro de instrumentos financieros por cobrar", C-19 "Instrumentos financieros por pagar", C-20 "Instrumentos financieros para cobrar principal e interés", D-1 "Ingresos por contratos con clientes", D-2 "Costos por contratos con clientes" y D-5 "Arrendamientos", emitidas por el Consejo Mexicano de Normas de Información Financiera, A.C. y referidas en el párrafo 3 del Criterio A-2 "Aplicación de normas particulares".

g. Durante el ejercicio no existieron observaciones consideradas como relevantes derivadas de la información que ha sido de nuestro conocimiento a través de accionistas, consejeros, directivos, empleados y en general de cualquier tercero en lo que respecta a la contabilidad, controles internos y temas relacionados con la auditoria interna o externa, así como de las irregularidades que llegaran a reportarse.

   Cabe señalar que, el área de auditoria interna, vigila el seguimiento e implementación de todo tipo de medidas necesarias, contribuyendo así al fortalecimiento del control interno del GFInbursa y sus subsidiarias.

h. Se dio seguimiento a los acuerdos de las asambleas de accionistas y del Consejo de Administración.

Manifestamos lo anterior, con la finalidad de cumplir con las obligaciones a cargo de este órgano social, previstas en la Ley de Mercado de Valores y con cualquier otra función que nos ha sido o que nos sea encomendada por el Consejo de Administración de la Sociedad, haciendo notar que para la elaboración del mismo se escuchó a los directivos relevantes de la Sociedad.

Atentamente,

Antonio Cosio Pando
Comité de Auditoría

Informe del Comité de Prácticas Societarias

Abril, 2019.

H. Consejo de Administración
Grupo Financiero Inbursa, S.A.B. de C.V.

En términos de la fracción I del artículo 43 de la Ley del Mercado de Valores y en cumplimiento a las recomendaciones contenidas en el Código de Mejores Prácticas Corporativas, en nombre del Comité de Prácticas Societarias de **Grupo Financiero Inbursa, S.A.B. de C.V. (la "Sociedad" o "GFlnbursa")**, se informa sobre las actividades realizadas por este comité en el desempeño de sus funciones durante el ejercicio social concluido el 31 de diciembre de 2018.

Entre las responsabilidades fundamentales de la Administración de la Sociedad se encuentran: (i) la adecuada administración de GFlnbursa procurando la creación de valor en la Sociedad; (ii) la adecuada y oportuna revelación de información relevante de la Sociedad en términos de las disposiciones aplicables; (iii) la emisión de estados financieros elaborados con base en las disposiciones de contabilidad aplicables para agrupaciones financieras vigentes en México y de las normas de información financiera que resulten aplicables; y (iv) el establecimiento de procesos y procedimientos de operación, de control interno, de administración de riesgos y de auditoría interna adecuados para procurar la óptima operación de la Sociedad y de las personas morales que ésta controla. En dicho contexto, el Comité de Prácticas Societarias es un órgano auxiliar del Consejo de Administración para llevar a cabo la vigilancia de la gestión, conducción y ejecución de los negocios de la Sociedad y de las personas morales que ésta controla en apego a los intereses de la Sociedad y de las disposiciones aplicables.

En el desempeño de sus funciones, el Comité de Prácticas Societarias ha sesionado cuando menos de manera trimestral, solicitando a la Sociedad, a través de sus directivos relevantes, la presentación de aquella información que ha considerado necesaria o conveniente para el análisis de las materias a su cargo. Asimismo, el Comité de Prácticas Societarias ha conocido el contenido de los estados financieros consolidados de la Sociedad con cifras al 31 de diciembre de 2018 y la opinión del auditor externo de la Sociedad respecto de dicha información.

En cumplimiento de las principales funciones del Comité de Prácticas Societarias de GFlnbursa, durante el ejercicio social concluido el 31 de diciembre de 2018, se llevaron a cabo las siguientes actividades:

a. En materia de finanzas y evaluación, se analizó el contenido de los estados financieros dictaminados de la Sociedad con cifras al 31 de diciembre de 2018, conjuntamente con la opinión del auditor externo de la Sociedad. De dicho análisis se ha considerado que los estados financieros reflejan de manera razonable y suficiente la información relevante de la Sociedad y su situación financiera.

b. Se ha analizado el desempeño de los directivos relevantes de la Sociedad en función a los informes periódicos presentados a este Comité y a los resultados obtenidos por la Sociedad que se reflejan en los estados financieros consolidados de la Sociedad con cifras al 31 de diciembre de 2018. Al respecto se ha concluido que el desempeño de los directivos relevantes de la Sociedad puede considerarse satisfactorio toda vez que: (i) la Sociedad y las personas morales que ésta controla han presentado resultados favorables que indican que la administración de la Sociedad ha procurado la creación de valor en beneficio de la misma; y (ii) no se han presentado desviaciones operativas relevantes que puedan generar perjuicios a la Sociedad, las personas morales que ésta controla o sus respectivos accionistas.

c. En materia de compensación y evaluación, la Sociedad ha informado periódicamente a este Comité sobre las diversas políticas de selección, contratación, capacitación y compensación a su personal, presentando las cifras estadísticas correspondientes. Esta evaluación ha comprendido también el análisis de las políticas de compensación y evaluación de la Sociedad en función al crecimiento en las operaciones y ventas de los diversos segmentos de negocio de las personas morales controladas por la Sociedad.

d. Se han analizado los paquetes generales de remuneración para los funcionarios y empleados de la Sociedad y de las personas morales que ésta controla, verificando que las prestaciones sean establecidas de forma general dentro de los diferentes niveles de la organización.

e. La Sociedad y las personas morales que ésta controla únicamente realizaron operaciones con personas relacionadas dentro del giro ordinario de sus negocios, en condiciones de mercado y con apego a las disposiciones legales aplicables para cada uno de dichos intermediarios.

f. Conjuntamente con el Comité de Auditoría, se dio seguimiento al cumplimiento del Código de Ética aplicable a la Sociedad y de las personas morales que ésta controla, manifestando que no hay desviaciones que reportar en esta materia.

g. No se aprobó, ni se otorgó dispensa alguna a consejeros, directivos relevantes o personas con poder de mando, respecto de cualquiera de las operaciones a que se refiere los artículos 39 de la Ley para Regular las Agrupaciones Financieras y 28 de la Ley del Mercado de Valores.

h. Se verificó que los estatutos sociales y la operación de la Sociedad se ajustan a la Ley del Mercado de Valores vigente y demás normatividad aplicable.

i. Se ha mantenido una constante supervisión de la situación corporativa de la Sociedad para verificar que la misma se mantenga en apego a las disposiciones legales aplicables.

j. Se dio seguimiento a los acuerdos de las asambleas de accionistas y del Consejo de Administración.

De la realización de las actividades anteriores conjuntamente con la revisión a los estados financieros consolidados de la Sociedad al 31 de diciembre de 2018 y de la opinión del auditor externo de la Sociedad y considerando la información que ha sido proporcionada a este órgano social por la administración de la Sociedad, consideramos que la gestión, conducción y ejecución de los negocios de la Sociedad durante el ejercicio social de 2018, ha sido realizada de forma adecuada por la administración de la Sociedad.

Lo anterior con la finalidad de cumplir con las obligaciones a cargo de este órgano social previstas en la Ley de Mercado de Valores y con cualquier otra función encomendada por el Consejo de Administración de la Sociedad, haciendo notar que para la elaboración del presente informe se escuchó a los directivos relevantes de la Sociedad.

Atentamente.

Antonio Cosío Pando
Presidente del Comité de Prácticas Societarias
Grupo Financiero Inbursa, S.A.B. de C.V.

Salvador Dalí
(Figueras, Spain, 1904 – Figueras, Spain 1982)
St George and the Dragon
Cconceived in 1977
Burnished bronze and bronze with brown and dark green patina

Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2020 and 2019

Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Financiero Inbursa, S.A.B. de C.V.

Opinion

We have audited the consolidated financial statements of Grupo Financiero Inbursa, S.A.B. de C.V. and subsidiaries (the "Financial Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of income, the consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Financial Group were prepared in all material respects, in accordance with the Accounting Criteria (the "Accounting Criteria") established by the Mexican National Banking and Securities Commission (the "Commission") in the General Provisions Applicable to Financial Groups, Credit Institutions, Institutions and Mutual Insurance Companies, Brokerage Houses, Regulated Multiple Purpose Financial Companies and Mutual Funds and Companies that Provide Services Thereto (the "Provisions").

Basis for opinion

Llevamos a cabo nuestras auditorías de conformidad con las Normas Internacionales de Auditoría (NIA).
We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Independent auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Financial Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with the Ethics Code issued by the Mexican Institute of Public Accountants ("IMCP Code"), and we have complied with all other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Due to its rapid global expansion and serious health impacts, on March 11, 2020, it was declared a "Global Pandemic" by the World Health Organization (WHO) the new infectious disease caused by SARS-CoV2 coronavirus (COVID-19). In response to this situation, at the governmental, business and individual levels, different containment measures have been stablished in order to stop the spread of this virus. These measures, coupled with the uncertainty regarding the development and duration of the Global Pandemic, have had an impact on the economic environment of the country, in Gross Domestic Product by 20202 of approximately 8.5%. In Note 43 to the accompanying consolidated financial statements, Management presents the main effects of this Global Pandemic on the Financial Group. Our opinion remains unchanged on this matter.

Other matters

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

The information included in the accompanying consolidated financial statements as unaudited, is presented to comply with the requirements of the Provisions established by the Commission.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 2020 financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

- **Valuation of derivative financial instruments (Notes 3 and 10 of to the consolidated financial statements)**

  The valuation of the Financial Group's derivatives financial instruments was considered as a key area of our audit approach due to the valuation process which requires Management, using professional judgment, to determine certain quantitative and qualitative factors that are applied for the determination of the fair value of the derivative financial instruments.

In Note 3 to the accompanying consolidated financial statements, Management has described the main accounting criteria applied to determine of the valuation of both the trading and hedging derivative financial instruments.

Our audit procedures included a combination of tests of controls and substantive tests of balances and transactions:

1. We conducted interviews with Management and Senior Management to understand the risk management policy.

2. We evaluated the design and implementation of the relevant controls, and also reviewed their operating effectiveness.

3. Based on a sample, we obtained confirmation letters for certain trading and hedging derivative financial instruments. We checked that the information incorporated into the SII Inversiones system, which is used in the valuation calculation, was correct.

4. We involved our team of specialists of the Firm to review the valuation of the derivative financial instruments. This work included the calculation of the valuation as of September 30, 2020 based on a sample of derivative financial instruments using independent variables, and in certain cases, they produced valuations different from those calculated by the Financial Group, although the differences were within reasonable ranges.

5. Our team of specialists also reviewed compliance with the requirements established in the Accounting Criteria to designate derivative financial instruments as hedges.

6. As of December 31, 2020, we performed an analysis to identify new significant financial derivative transactions. We requested Management to obtain a confirmation letter from the counterparty and we reviewed transaction details.

7. We reviewed the accounting record of such instruments as of December 31, 2020, as well as their correct presentation and disclosure in the consolidated financial statements at the same date. Our specialist carried out a review of the accounting treatment of financial instruments.

The results of our audit procedures were reasonable.

- **Allowance for loan losses – commercial and consumer credit portfolio (see Notes 3 and 13 to the consolidated financial statements)**

  The Financial Group establishes the allowance for loan losses of its credit portfolio based on the portfolio classification rules determined in the Accounting Criteria, which establish methodologies for evaluation and creation of reserves by type of loan. The preparation of such methodology requires Management, using professional judgment, to determine the quantitative and qualitative factors that will be applied to determine the probability of default, the severity of the loss and exposure to default of the loans. The determination of the allowance for loan losses was considered to be a key audit matter due to the importance of the completeness and accuracy of the information used in its determination, as well as the correct application of the methodology established by the Commission to determine the calculation of the allowance.

  Our audit procedures included a combination of tests of controls and substantive tests of balances and transactions:

1. To identify the controls established by Management for the proper inclusion of the information in the loan files during the loan origination and management processes, we performed a walk-through of internal controls to test the design and implementation of such controls, as well as to review their operational effectiveness.

2. Using a sample of files, we checked that the upload of the inputs used in the calculation of the allowance for loan losses was complete and accurate.

3. We tested the design, implementation and the operative effectiveness of the controls implemented by Management over the reasonableness of the results of the calculation of the allowance for loan losses.

4. In order to verify the accuracy of the calculation of the allowance for loan losses, we involved our specialists in reserve models to review the application of the model and the parameters established by the Commission.

5. We involve our specialists in model reserves with the objective of verifying the application of the model and the calculation parameters established by the Commission through the recalculation of the allowance for loan losses of a selected portfolio sample as of September 30, 2020. They also reviewed the reasonableness of the cases, the notification of their creation to the Commission and the considerations used for the establishment of the additional reservations referred to in Note 1.

6. We reviewed the completeness of the information and verified that the total loan portfolio was subject to calculation to determine the allowance for loan losses.

7. As of December 31, 2020, as a substantive analytical test, we estimated an allowance for loan losses at such date based on the behavior of the loan portfolio.

The results of our audit procedures were reasonable.

Other information included in the document containing the audited consolidated financial statements

Management is responsible for the other information. The other information comprises the information included in the Annual Report that the Financial Group is obligated to prepare pursuant to Article 33
Fraction I, subsection b) of Title Four, First Chapter of the General Provisions Applicable to Issuers and Other Securities Market Participants in Mexico and the Instructions accompanying those Regulation. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements will not cover the information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when available, and when we do so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter. We will issue the declaration about the reading of the annual report, required by Article 33 Fraction I, subsection b) numeral 1.2. of the Provisions mentioned.

Responsibilities of Management and those charged with governance of the Financial Group in relation to the consolidated financial statements

Management Financial Group's is responsible for the preparation of the consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Financial Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Financial Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Financial Group's financial reporting process.

Independent auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Financial Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Financial Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Financial Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and relevant events in a manner that achieves the presentation in accordance with the Accounting Criteria established by the Commission.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Financial Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Financial Group. We remain solely responsible for our audit opinion.

We communicate with those charged with Financial Group´s governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with Financial Group's governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with the Financial Group's governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the 2020 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.A. Jorge Adrián Ramírez Soriano
Registration on the General Management
of the Federal Tax Audit No.18128
Mexico City, Mexico
March 22, 2021

Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2020 and 2019
(In millions of Mexican pesos)

Assets	2020	2019
Funds available (Note 6)	$ 16,514	$ 29,633
Margin accounts (Note 7)	2,571	2,436
Investment in securities (Note 8)		
Trading securities	146,068	130,416
Securities available for sale	11,649	11,154
Securities held to maturity	344	333
	158,061	141,903
Repurchase agreements (Note 9)	41,736	10,044
Derivatives (Note 10):		
Trading purposes	8,725	4,787
Hedging purposes	33	1,258
	8,758	6,045
Valuation adjustment for hedging of financial assets (Note 11)	56	286
Performing loan portfolio:		
Commercial loans:		
Commercial or corporate activity	171,798	161,214
Loans to financial entities	1,026	5,875
Loans to government entities	12,673	27,103
Consumer loans	33,101	44,355
Housing loans		
Middle and residential	4,789	5,000
Social interest	4	7
Total performing loan portfolio	223,391	243,554
Non-performing loan portfolio:		
Commercial loans:		
Commercial or corporate activity	1,787	1,714
Consumer loans	2,347	2,706
Housing loans		
Middle and residential	917	892
Social interest	1	1
Total non-performing portfolio	5,052	5,313
Total loan portfolio (Note 12)	228,443	248,867
Allowance for loan losses (Note 13)	(10,201)	(8,898)
Total loan portfolio, net	218,242	239,969
Receivables from insurance and surety companies, net (Note 14)	2,468	1,688
Premiums receivable, net (Note 15)	7,013	7,898
Receivables from reinsurance and surety, net (Note 16)	7,682	7,602
Other accounts receivable, net (Note 17)	25,110	11,433
Foreclosed assets, net (Note 18)	879	713
Property, furniture and equipment, net (Note 19)	7,429	7,165
Investments in shares (Note 20)	11,650	11,558
Long-term assets available for sale	5,868	-
Deferred tax, net (Note 30)	2,006	351
Other assets, deferred charges and intangibles, net (Note 21)	6,786	7,371
Total assets	$ 522,829	$ 486,095

Liabilities and Stockholders' equity	2020	2019
Deposits		
Demand deposits (Note 22a)	$ 158,957	$ 140,605
Time deposits (Note 22b):		
General public	18,485	23,167
Debt securities (Note 22c)	56,852	56,944
	234,294	220,716
Bank and other loans (Note 23)		
Short-term loans	137	162
Long-term loans	30,872	30,805
	31,009	30,967
Technical reserves (Note 24)	46,185	45,269
Liabilities arising from sale and repurchase agreements (Note 9)	14,788	1,524
Collateral received and sold or pledged as guarantee		
Repurchase agreements (Credit balance)	6	2
Derivatives (Note 10)		
Trading purposes	12,868	8,571
Hedging purposes	6,048	5,047
	18,916	13,618
Liabilities to reinsurance and surety, net (Note 25)	789	952
Other accounts payable:		
Income taxes payable	3,749	2,282
Employee profit sharing payable	1,215	1,153
Obligations arising from settlement of transactions	6,381	11,472
Liabilities arising from cash collateral received (Note 27)	22	268
Sundry creditors and other accounts payable (Note 28)	7,056	6,791
	18,423	21,966
Deferred taxes, net (Note 30)	-	1,853
Deferred credits and income received in advance	1,657	1,396
Total liabilities	366,067	338,263
Stockholders' equity (Note 32)		
Contributed capital:		
Capital stock	14,139	14,167
Additional paid-in capital	13,201	13,201
	27,340	27,368
Earned capital:		
Capital reserves	3,345	2,224
Retained earnings	114,254	106,155
Result from holding non-monetary assets	(971)	(971)
Net income	12,662	12,926
Controlling interest	129,290	120,334
Non-controlling interest	132	130
Total stockholders' equity	156,762	147,832
Total liabilities and stockholders' equity	$ 522,829	$ 486,095

Cuentas de orden (Nota 38)

	2020	2019
Transactions on behalf of third parties		
Customers current account		
Customer banks	$ 100	$
Settlement of customer transactions	(313)	150
	(213)	151
Customer securities:		
Customer securities in custody	1,957,370	1,944,521
Transactions on behalf of customers:		
Customer repurchase agreements	53,021	31,658
	53,021	31,658
Total on behalf of third parties	$ 2,010,178	$ 1,976,330

	2020	2019
Transactions on own behalf:		
Own registry accounts:		
Contingent assets and liabilities	$ 31,116	$ 38,788
Assets in trust or mandate:		
Trusts	402,070	382,474
Mandates	1,406	1,285
	403,476	383,759
Collateral received by Financial Group (Note 9)		
Government debt	75,484	56,185
Other debt securities	-	3,024
	75,484	59,209
Collateral received and sold or pledged as guarantee by Financial Group		
Government debt	39,465	46,124
Other debt securities	-	3,024
	39,465	49,148
Assets in custody or administration:	303,568	306,483
Loan commitments	87,625	81,392
Uncollected interest earned on non-performing loan portfolio	2,074	2,124
Guarantees of recovery by bonds issued	8,073	8,379
Paid-out claims	1,819	1,772
Cancelled claims	92	10
Recovered claims	144	149
Liabilities under bonds in force, net	20,019	20,149
Other memorandum accounts	1,009,436	1,070,659
Total on own behalf	$ 1,982,391	$ 2,022,021

“As of December 31, 2020 and 2019, the amount of historical equity amounts to $2,758.”

“These consolidated balance sheets with those of financial institutions and other companies that are part of the Financial Group that are likely to consolidate were formulated in accordance with the Accounting Criteria for Financial Group Controllers, issued by the National Banking and Securities Commission, on the basis of Article 30 of the Law to Regulate Financial Groupings , of general and mandatory observance, applied in a consistent manner, reflecting the operations carried out by the controlling company and the financial institutions and other companies that are part of the Financial Group, which are capable of consolidating, up to the aforementioned dates, which were carried out and evaluated in compliance with sound practices and the applicable legal and administrative provisions”.

“These consolidated balance sheets were approved by the Board of Directors under the responsibility of the managers who subscribe them.”

The accompanying notes are part of these consolidated financial statements.

Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2020 and 2019
(In millions of Mexican pesos)

	2020		2019	
Interest income	$	45,957	$	48,542
Income from premiums, net		15,708		16,100
Interest expense		(18,885)		(20,783)
Increase in technical reserves		1,606		349
Losses, claims, and other contractual obligations, net		(11,766)		(10,457)
Financial margin (Note 35)		32,620		33,751
Provision for allowance of loan losses (Note 13)		(9,307)		(7,293)
Financial margin after provision for loan losses		23,313		26,458
Commission and fee income (Note 36)		7,166		6,891
Commission and fee expense		(3,822)		(4,016)
Gains/losses on financial assets and liabilities (Note 37)		(1,631)		(2,402)
Other operating income (expenses), net (Note 39)		2,200		2,124
Administrative and promotional expenses		(12,594)		(12,195)
Result of operations		14,632		16,860
Equity in income of unconsolidated subsidiaries and associates		885		593
Income before income taxes		15,517		17,453
Current income taxes (Note 26)		4,705		4,716
(Anticipated benefit) deferred income taxes (Note 30)		(1,883)		(220)
		2,822		4,496
Net income		12,695		12,957
Non-controlling interest		(33)		(31)
Net controlling interest	$	12,662	$	12,926

“These consolidated statements of income with those of financial institutions and other companies that are part of the Financial Group that are eligible to consolidate were formulated in accordance with the Accounting Criteria for Financial Group Controller Companies, issued by the Commission National Banking and Securities Grouping Act, applied consistently, reflecting all income and egress derived from transactions carried out by the controlling company and financial institutions and other companies that are part of the Financial Group that are likely to be consolidated , during the above-mentioned periods, which were carried out and assessed in adherence to sound practices and applicable legal and administrative provisions”.

“These consolidated statements of income were approved by the Board of Directors under the responsibility of the managers who subscribe them.”

The accompanying notes are part of these consolidated financial statements.

Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2020 and 2019
(In millions of Mexican pesos)

	Contributed capital	
	Capital stock	Additional paid in capital
Balances at the beginning of 2019	$ 14,177	$ 13,201
Entries approved by stockholders:		
Transfer of prior year results	-	-
Dividends declared	-	-
Share repurchase reserve	-	-
Repurchase of shares	(10)	-
Total	(10)	-
Comprehensive income:		
Net income	-	-
Participation in other capital accounts of subsidiaries, net of deferred taxes	-	-
Total	-	-
Balances as of December 31, 2019	14,167	13,201
Entries approved by stockholders:		
Transfer of prior year results	-	-
Dividends declared	-	-
Share repurchase reserve	-	-
Repurchase of shares	(28)	-
Total	(28)	-
Comprehensive income:		
Net income	-	-
Participation in other capital accounts of subsidiaries, net of deferred taxes	-	-
Total	-	-
Balances as of December 31, 2020	$ 14,139	$ 13,201

"These consolidated statements of changes in stockholders' equity with those of financial institutions and other companies that are part of the Financial Group that are likely to be consolidated were formulated in accordance with the Accounting Criteria for Financial Group Controlling Companies, issued by the National Banking and Securities Commission on the basis of Article 30 of the Law on Regulating Financial Groupings , of general and mandatory observance, applied in a consistent manner, reflecting all movements in the accounting capital accounts arising from the transactions carried out by the controlling company and the financial institutions and other companies that are part of the Financial Group that are able to consolidate during the periods mentioned above, which were carried out and evaluated in compliance with sound practices and the applicable legal and administrative provisions".

"These consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the managers who subscribe them."

The accompanying notes are part of these consolidated financial statements.

Earned capital					
Capital reserves	Retained earnings	Result from holding non-monetary assets	Net income attributable to controlling interest	Non-controlling interest	Total stockholders' equity
$ 3,563	$ 101,212	$ (971)	$ 17,100	$ 119	$ 148,401
-	17,100	-	(17,100)	-	-
-	(9,946)	-	-	-	(9,946)
(697)	697	-	-	-	-
(642)	-	-	-	-	(652)
(1,339)	7,851	-	(17,100)	-	(10,598)
-	-	-	12,926	31	12,957
-	(2,908)	-	-	(20)	(2,928)
-	(2,660)	-	12,926	11	10,029
2,224	106,155	(971)	12,926	130	147,832
-	12,926	-	(12,926)	-	-
-	-	-	-	-	-
2,284	(2,284)	-	-	-	-
(1,163)	-	-	-	-	(1,191)
1,121	10,642	-	12,926	-	(1,191)
-	-	-	12,662	33	12,695
-	(2,543)	-	-	(31)	(2,574)
-	(2,543)	-	12,662	2	10,121
$ 3,345	$ 114,254	$ (971)	$ 12,662	$ 132	$ 156,762

Grupo Financiero Inbursa, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019
(In millions of Mexican pesos)

	2020	2019
Net income	$ 12,695	$ 12,957
Adjustments for items that do not require cash flows:		
Depreciation of property, furniture and fixtures	520	510
Amortization of intangible assets	24	17
Current and deferred income taxes	2,822	4,496
Equity in income of unconsolidated subsidiaries and associates	(885)	(593)
	15,176	17,387
Operating activities:		
Change in margin accounts	(135)	(2,121)
Change in investment in securities	(16,158)	(4,655)
Change in repurchase agreements	(31,692)	15,772
Change in derivatives (asset)	(3,938)	3,077
Change in loan portfolio, net	21,727	586
Change in receivables from insurance and surety companies	(780)	(12)
Change in premiums receivable	885	355
Change in receivables from reinsurance and surety	(80)	2,100
Change in foreclosed assets, net	(166)	598
Change in other operating assets, net	(14,741)	3,428
Change in deposits	13,578	9,236
Change in bank and other loans	42	(8,133)
Change in liabilities arising from sale and repurchase agreements	13,264	1,207
Change in collateral sold or pledged as guarantee	4	2
Change in derivatives (liability)	4,297	(1,917)
Change in liabilities to reinsurance and surety, net	(163)	164
Change in other operating liabilities	(7,323)	(22,654)
Change in hedging instruments	2,456	556
Change in technical reserves	916	(1,814)
Payment of income tax	(3,238)	(4,772)
Net cash flows from operating activities	(6,069)	8,390
Investing activities:		
Payments for acquisition of property, furniture and fixtures	(784)	(882)
Dividends and proceeds from sales of permanent investments	793	617
Payments for long-term assets available for sale	(5,868)	-
Net cash flows from investing activities	(5,859)	(265)
Financing activities:		
Dividends paid	-	(9,946)
Repurchase of own shares	(1,191)	(652)
Net cash flows from financing activities	(1,191)	(10,598)

	2020	2019
Net decrease in funds available	(13,119)	(2,473)
Funds available at the beginning of the year	29,633	32,106
Funds available at the end of the year	$ 16,514	$ 29,633

"These consolidated statements of cash flows with those of financial institutions and other companies that are part of the Financial Group that are likely to be consolidated were formulated in accordance with the Accounting Criteria for Financial Group Controlling Companies, issued by the National Commission Banking and Securities, on the basis of Article 30 of the Law to Regulate Financial, General and Compulsory Enforcement Groups, applied consistently, reflecting cash ins and cash outs arising from transactions carried out by the controlling company and financial institutions and other companies that are part of the Financial Group that are likely to consolidate during the above-mentioned periods , which were carried out and assessed in adherence to sound practices and applicable legal and administrative provisions."

"These consolidated statements of cash flows were approved by the Board of Directors under responsibility of the managers who subscribe them."

The accompanying notes are part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In millions of Mexican pesos, except foreign currency and exchange rates)

1. Activity and economic regulatory environment

Grupo Financiero Inbursa, S.A.B. de C.V. (hereinafter the Group or the Financial Group), is authorized by the Treasury Department (SHCP) to operate as a financial group under the form and terms established by the Financial Group Law (the Law) and is subject to the supervision and oversight of the National Banking and Securities Commission of Mexico (the Commission) and Banco de México (Central Bank). The Financial Group is authorized by the Central Bank to transact derivative financial instruments and its main activities include the acquisitions of financial sector entities shares and supervision of the activities of such entities, which activities are carried out in accordance with the above-mentioned Law and. The Group and its subsidiaries are regulated by, depending on their activities, the Commission, the Central Bank and other applicable laws.

The main activity of the subsidiaries is conducting financial transactions such as the provision of commercial banking and brokerage services, and the provision of life, accident and disease and damage insurance services in accordance with applicable Law.

In accordance with the Law, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.

The Financial Group is subject to provisions issued by the SHCP regarding the prevention of resources of illegal origin.

The Commission, within its legal powers of inspection and supervision, may order amendments or corrections, which it deems necessary, for the publication of the consolidated financial statements of Credit Institutions.

Significant 2020 and 2019 events

i. *COVID 19 Pandemic* - Due to its rapid global expansion and serious health impacts, on March 11, 2020, it was declared a "Global Pandemic" by the World Health Organization (WHO) the new infectious disease caused by SARS-CoV2 coronavirus (COVID-19). In response to this situation, at the governmental, business and individual levels, different containment measures have been stablished in order to stop the spread of this virus. These measures, coupled with the uncertainty regarding the development and duration of the Global Pandemic, have had an impact on the economic environment of the country, in Gross Domestic Product by 20202 of approximately 8.5%.

   Due to this situation, during 2020 the Financial Group constituted additional allowance loan losses, in addition to those recognized by the Commission for $1,421 on the consumer and trade portfolio. Note 3 describes the methodology for their constitution.

   Note 43 describes the additional measures taken by the Financial Group to face off the pandemic, as well as the financial and operational impacts of it.

ii. *Acquisition of shares of Promotora de Infraestructura de Readaptación Social S.A. de C.V. and Subsidiaries.* On November 20, 2019, Capital Inbursa, S.A. de C.V. (Capital Inbursa) (indirect subsidiary), acquired through a contract, 99.9980% of the shares of Promotora de Infraestructura de Readaptación Social S.A. de C.V. Through this operation the Financial Group acquired indirect control of the subsidiaries called CRS Morelos, S.A. de C.V., Makobil, S. de R.L. de C.V., Operadora MTTO para la Infraestructura Social, S.A. de C.V. and Servicios de Personal para Proyectos SIS, S.A. de C.V. The suspensive terms included in the sales contracts were covered by February 17, 2020. In addition, at the Meeting of the Board of Directors meeting held on April 13, 2020, it was agreed to sell these shares within one year. The assets acquired are reflected in the balance sheet as "Long-term assets available for sale"

iii. *Forward Purchase Agreement* - On December 8, 2017, Banco Inbursa entered into a Forward Purchase Agreement, in which it was required to deliver a certain number of New York Times shares depending on the share price at the time of settlement of the transaction, in 2020. On December 1, 2020, the contract was due, delivering 7,950,000 Class A common share from the New York Times and receiving a total amount of $2,360 as consideration.

iv. *Certification for the transformation to insurance of caution* - On July 28, 2020, the closing act was received from the Commission for the transformation of Inbursa Seguros de Caución y Fianzas, S.A., Grupo Financiero Inbursa to Aseguradora de Caución; as of October 16, 2020, the first policy was issued in the administrative sector in the amount of $185 plus VAT.

v. *Disposal of shares of SOFOM Inbursa, S.A. de C.V. Sociedad Financiera de Objecto Múltiple (SOFOM Inbursa) to Banco Inbursa* – On June 19, 2020, the Financial Group signed a contract with Banco Inbursa in order to sell 557,797,979 shares for a total amount of $1,165. The settlement of the transaction took place on June 19, 2020.

vi. *Registration of stock certificates* - On November 1, 2019, Banco Inbursa by trade No. 153/12269/2019 obtained authorization from the Commission for the preventive inscription into the National Register of Securities, certificates of long term bank deposit of term money and promissory notes with return at for an authorized amount of up to $100,000, for a period of 5 years. The bank also obtained the authorization of public offering of such instruments and the dissemination of the corresponding information. As of December 31, 2019, the Bank has not made any offering.

vii. *Personnel transfer* – On March 16, 2019, an employer´s replacement agreement was concluded for 4,338 employees of Seguros Inbursa, S.A., Grupo Financiero Inbursa (Seguros Inbursa) to Banco Inbursa, S.A. Institucion de Banca Multiple (Banco Inbursa) and SOFOM Inbursa, S.A. de C.V. Sociedad Financiera de Objeto Multiple (SOFOM Inbursa). To that effect, each employee signed an employment relationship termination agreement with Seguros Inbursa and a new individual employment contract with Banco Inbursa and SOFOM Inbursa. The new contracts respect the working conditions originally agreed with employees at the time of their contract with Seguros Inbursa. Derived from the above, at the time of the employer's replacement, Banco Inbursa and SOFOM Inbursa received the Reserve Fund for labor obligations of $1,253, which recognized in the account "Investment for labor obligations" with payment to the liability called "Provision for labor obligations to withdrawal” for the same amount. It should be noted that this employer substitution had no effect on the consolidated financial statements of the Financial Group.

viii. *Catastrophic reserve release* - Derived from the calculation through the natural risk assessment model determined by the actuarial area of Seguros Inbursa and Patrimonial Inbursa, S.A. (Patrimonial Inbursa), as of December 31, 2020 and 2019, made releases of "Catastrophic Risk Reserves" from the balance sheet for earthquake concepts for $740 and $482, respectively and hurricane and other hydro meteorological risks for $362 and $50 respectively. These releases were recorded directly in the consolidated statement of income under "Net increase in technical reserves".

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of Accounting Criteria prescribed by the Commission. Certain accounting practices applied by the Financial Group may not conform to accounting principles generally accepted in the country of use.

Monetary unit of the consolidated financial statements - The consolidated financial statements and notes as of December 31, 2020 and 2019 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2020 and 2019 were 15.10% and 15.69%, respectively; accordingly, the economic environment is not inflationary effects were recognized in the accompanying consolidated financial statements. The inflation rate for the three-year period ended December 31, 2020 was 11.19%. Inflation rates for the years ended December 31, 2020 and 2019 were 3.15% and 2.83%, respectively.

Going Concern – Consolidated financial statements have been prepared by Management assuming that the Financial Group will continue to operate as a going concern.

Consolidation of financial statements - The accompanying consolidated financial statements include the financial statements of the Financial Group, those of its subsidiaries and the trusts for securitization operations as of December 31, 2020 and 2019 and for the years then ended.

Entities Regulated by the Commission

Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa (Banco Inbursa or the Bank) –Acts in accordance with the Law of Credit Institutions (LIC), as well as the provisions of the Commission and Central Bank. It is a multiple-service banking institution engaged in providing banking and credit services and acting as a trust company. This institution holds a majority equity interest in the following entities:

- Afore Inbursa, S.A. de C.V., Grupo Financiero Inbursa (Afore Inbursa) - The purpose of this business is to manage employee retirement savings pursuant to the Retirement Savings System Law. Afore Inbursa is regulated by the Mexican National Commission of Retirement Savings (CONSAR).

- SOFOM Inbursa, S.A. de C.V., SOFOM, E.R., Grupo Financiero Inbursa (SOFOM Inbursa) - It is a multi-purpose financial company, regulated entity, which operates in accordance with the rules supplied by the Commission, the SHCP and Central Bank. Its main activity is to grant in lease and pure all kinds of real and personal property, as well as the granting of revolving credit for consumption through credit cards and loans to small and medium enterprises, in addition to the granting of any type of credit to manufacturers, distributors and consumers of the automotive sector.

- FC Financial, S.A. de C.V., SOFOM, E.R., Grupo Financiero Inbursa (FC Financial) - The main business purpose is the customary and professional carrying out of credit operations, financial leasing and factoring, and, additionally, the management of various types of loan portfolio related to the leasing of real estate and non-real estate property.

- Sinca Inbursa, S.A. de C.V., Fondo de Inversión de Capitales (Sinca Inbursa) – Is a capital investment company, whose objective is to invest in stock of publicly held Mexican companies that need long term resources and whose main activities are related to carrying out the national development plan, thereby contributing to the country's economic and social growth. This entity is regulated by the Commission.

  Sinca Inbursa does not exercise control over the promoted companies except Inbursa Private Capital, S.A. de C.V., Capital Inbursa, S.A. de C.V. and Inbursa Ventures, S.A. de C.V., in which it has control through the possession of 99.99% of its outstanding shares.

- Inmobiliaria Inbursa, S.A. de C.V. (Inmobiliaria) - Real Estate Company authorized and regulated by the Commission.

Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa (Inversora Bursátil) - This entity acts in terms of the Mexican Securities Trading and the general regulations established by the Commission. Its main activity is to act as a stockbroker in the securities and currency markets.

Operadora Inbursa de Fondos de Inversión, S.A. de C.V., Grupo Financiero Inbursa (Operadora Inbursa) - Carries out its transactions in conformity with the Mexican Investment Funds Act and the general regulations established by the Commission. This entity is engaged primarily in providing administrative and stock distribution and repurchasing services, as well as in managing its investment fund portfolio.

Regulated by the CNSF

Seguros Inbursa, S.A. Grupo Financiero Inbursa (Seguros Inbursa) - Its purpose is the provision of insurance services through the sale of insurance in life operations, accident, illness and damage operations, accepting reinsurance and refinancing and serving as a fiduciary under the terms of the LISF. Seguros Inbursa holds a majority equity interest in the following entities:

- Asociación Mexicana Automovilista, S.A. de C.V. (Asociación Mexicana Automovilistica) – An entity whose purpose is to provide all kinds of services to motorists and to tourism in general, develop educational, cultural and training activities related to their purposes, as well as provide services in relation to all procedures involved with the automotive field.

- Autofinanciamiento Inbursa, S.A. de C.V. (Autofinanciamiento Inbursa) - Its business purpose is the acquisition, distribution, purchase and sale of all types of automotive vehicles, under the terms of Article 63 of the Federal Law on Consumer Protection and the regulation of marketing systems consisting of the integration of groups of consumers, published on March 10, 2006 in the Official Gazette of the Federation.

- Patrimonial Inbursa, S.A. (Patrimonial Inbursa) – It is a Mexican company, whose business purpose is the provision of insurance services in life operations, accidents and illnesses and damages, under the terms of the LISF.

- Servicios Administrativos Inburnet, S.A. de C.V. (Servicios Administrativos Inburnet) - Its main purpose is the provision of administrative services related to individuals who have provisional authorization from the National Insurance and Bonding Commission (the NIBC), to act as insurance agents. These services are provided exclusively to Seguros Inbursa

Inbursa Seguros de Caución y Fianzas, S.A., Grupo Financiero Inbursa (Inbursa Seguros de Caución y Fianzas) – It is a commercial company authorized by the SHCP and CNSF, to practice operation in bonds, counter-guarantees, re-guarantee or co-guarantee and the administration of guarantee trusts, in all branches permitted by the Mexican legislation, according to the provisions of the LISF.

Pensiones Inbursa, S.A. (Pensiones Inbursa) - Its business purpose is to carry out life insurance operations, pension insurance, the payment of periodic rents during the life of the insured or those corresponding to their beneficiaries in accordance with insurance contracts derived from social security laws, under the terms of the LISF.

Pensiones Inbursa holds majority equity interest in Promotora Inbursa, S.A. de C.V. (Promotora Inbursa), whose corporate purpose is the acquisition of all types of shares, social parties of all types of entities, participation in all types of tenders and tenders for the award, concessions, permits or contracts for the provision of various services, as well as the acquisition of all types of securities and the granting of any type of financing. Promotora Inbursa has the shareholding in the following Entities, according to the percentages indicated below

Efectronic, S.A. de C.V.	99.999983%
Compañía de Servicios Multifuncionales, S.A. de C.V.	99.998000%
CE EFE Controladora, S.A. de C.V.	99.999999%
Promotora Loreto, S.A. de C.V.	99.999999%
Vale Inbursa, S.A. de C.V.	99.999999%
ClaroShop.com Holding, S.A. de C.V.	16.4630%

Entities providing supplementary services

Servicios Inburnet, S.A. de C.V. (before Out Sourcing Inburnet, S.A. de C.V.) (Servicios Inburnet) - Is engaged in providing professional, administrative, accounting, information technology and management services exclusively to its affiliate companies.

Asesoría Especializada Inburnet, S.A. de C.V. (Asesoría) - Provides promotional services for the sale of financial products offered exclusively by companies in the Financial Group.

SAI Inbursa S.A. de C.V. (SAI) – Until September 30, 2019, provided management services, accounting, computer and general services, among others, which were provided solely to affiliated companies. On October 1, SAI merged with Servicios Inburnet.

SP Inbursa S.A. de C.V. (SP) – Until September 30, 2019, provided management services, accounting, computer and general services, among others, which were provided solely to affiliated companies. On October 1, SP merged with Servicios Inburnet.

The balances and significant transactions between the consolidated entities have been eliminated. Permanent investments in shares are valued according to the equity method.

Preparation of the consolidated financial statements - The Provisions established by the Commission in relation to the issuance of the consolidated financial statements, established that the figures should be presented in millions of pesos. As a result, in some accounts of the consolidated financial statements, the accounting records shows balances less than one unit (one million pesos), the reason for which those amounts are not presented in such accounts.

Comprehensive income – Represents changes in stockholders´ equity during the year, for concepts other than capital contributions, reductions and distributions; and is comprised of the net income of the year, plus other comprehensive income (loss) items for the same period, which are presented directly in stockholders' equity without affecting the Financial Group’s results in accordance with the Accounting Criteria. The other items of comprehensive income are represented by net income, remeasurement of employee benefits and participation in other capital accounts of subsidiaries.

3. Summary of significant accounting policies

The accompanying consolidated financial statements comply with the Accounting Criteria established by the Commission (the Accounting Criteria) in the General Provisions Applicable to Groups, Credit Institutions, Brokerage Houses, Retirement Fund Administrators, Mutual Funds and Companies that Provide Services Thereto and Regulated Multiple Purpose Financing Entities (the “Provisions”) and in its standards which had been issued for such effect, which are considered a Financial Information Framework with general objectives. These policies require that Financial Group’s Management make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures. However, actual results may differ from such estimates. The Financial Group´s Management, upon applying professional judgment, considers that estimates made and assumptions used were appropriate under the circumstances.

Under Accounting Criteria, A-1 issued by the Commission, the Financial Group is required to apply Mexican Financial Reporting Standards (“MFRS” or “NIF’s) issued by the Mexican Financial Reporting Standards Board (“CINIF”), except with regard to topics for which the Commission has issued specific accounting guidance on the basis that the Financial Group and its subsidiaries are subject to its regulations and carries out specialized operations.

The regulation of the Commission mentioned in the previous paragraph, is at the level of rules over recognition, valuation, presentation and, if applicable, disclosure, suitable for specific captions in the consolidated financial statements, as well as those applicable to its preparation.

To that effect, the Commission clarifies that it will not apply the Accounting Criteria, or the concept of supplemental application, in the case of transactions that are expressly allowed or prohibited by legislation or are not expressly authorized.

Accounting policy changes

a. ***Accounting changes*** -

Improvements to 2020 NIF (MRFS) that generate accounting changes:

NIF D-4, Income taxes and *NIF D-3*, Benefits to employees - Include paragraphs on uncertain tax treatments when considering the basis used to determine income tax (ISR) and employee statutory profit-sharing (PTU), while also assessing the probability whereby the tax or labor authorities may or may not accept an uncertain tax treatment.

NIF D-4, Income taxes - Clarifies the accounting recognition of income taxes generated by a distribution of dividends in relation to the transactions that generated the distributable profits.

Changes in accounting estimates-

Additional allowance for loan losses - As mentioned in Note 1, during 2020 the country's economic environment was impacted by the effects of the COVID-19 Global Pandemic, resulting in a reduction of 8.5% in the Gross Domestic Product. Considering that the Commission allows the constitution of additional allowance for loan losses to those recognized by the same when there are risks that are not foreseen in its different methodologies of qualification of the credit portfolio, and considering the possible negative effects that this pandemic would have on the credit portfolio, the Financial Group’s management, constituted additional estimates in March and April for $1,421 on the consumer and commercial portfolio. Which were constituted by considering the expected average increase in cracks under stress scenarios derived from the pandemic intervals estimation methodology.

Improvements to 2020 NIF´s had no significant impact on the Financial Group´s financial reporting as of December 31, 2020. In accordance with NIF B-1 "Accounting changes and correction of errors" changes in accounting estimates are the result of changes in the economic environment, therefore recognition of the additional allowance for loan losses was prospectively recognized.

The most important accounting policies and practices applied by the Financial Group's Management in the preparation of its consolidated financial statements are described below:

Reclassifications - Certain amounts in the consolidated financial statements for the year ended December 31, 2019 have been reclassified to conform its presentation with the one presented on the 2020 consolidated financial statements

Recognition of the effects of inflation in the financial information - Beginning on January 1, 2008, the Financial Group discontinued recognition of the effects of inflation in its financial statements, however, non-monetary assets and liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

Offsetting of financial assets and financial liabilities - The recognized financial assets and financial liabilities are subject to offsetting so that the debit or credit balance, are presented on the consolidated balance sheet, as the case may be, if and only if, there is a contractual right to offset the amounts recognized, and the intention to settle the net amount, or to realize the asset and cancel the liability simultaneously.

Recording of the operations - Transactions in securities, repurchase and lending of securities, among others, on their own behalf or on behalf of third parties, are recorded on the date they are agreed, regardless of the date of their settlement.

Valuation of financial instruments - For the determination of the fair value of the positions in financial instruments, both, its own and those of third parties, the Financial Group uses the prices, rates and other market information provided by a price supplier, and which is authorized by the Commission, except for the operations that refers to future contracts, which are valued at the market prices determined by the clearing house of the exchange in which they are operated.

Foreign currency transactions - Foreign currency transactions are recorded at the exchange rate in effect on the transaction date. Assets and liabilities denominated in foreign currency are adjusted at the year-end exchange rates determined and published by the Central Bank.

Revenues and expenses from foreign currency transactions are translated at the exchange rate in effect on the transaction date, except for transactions carried out by the foreign subsidiaries, which are translated at the fix exchange rate at the end of each period.

Foreign exchange fluctuations are recorded in the consolidated statement of income of the year in which they occur.

Funds available - Cash is mainly represented by bank deposits and short-term investments of not more than 90 days, which are presented at acquisition cost, plus accrued interest at the balance sheet date, amount similar to its fair value.

Call money transactions granted and received have a maximum term of three business days and are recorded within Funds available and Demand loans, respectively. Accrued interest income and expense from call money transactions are recorded within Financial Margin in the consolidated statements of income.

Other liquid notes are recognized as "other funds available" if they are collectible within 2 business days (if national) or 5 business days (if international) after the contract is signed. Deposits with maturities in excess of the above terms are classified as Non-performing loans or Other receivables.

Operations pending of settlement

- ***Operations pending of settlement***

  Foreign currency purchase-sale transactions are recognized at the settlement prices. When its settlement is agreed within a maximum period of two banking business days following the date of agreement, these transactions are recorded as restricted funds available (purchases) and outputs of funds available (sales), against the corresponding settlement account. Profits or losses obtained from foreign currency purchase-sale transactions are recognized in the consolidated statements of income in the gains/losses on financial assets and liabilities.

  Foreign currency purchase-sale transactions in which the immediate settlement or the same date value is not agreed are recorded in settlement accounts for the amount in national currency receivable or payable. The debit and credit settlement accounts are presented under Other accounts receivable, net and Obligations arising from settlement of transactions, as appropriate.

Margin accounts - The margin accounts given in cash (and other cash equivalents) required from entities when performing transactions with derivative financial instruments in recognized markets are recorded at nominal value.

Margin accounts are used to ensure compliance with the obligations related to the derivatives executed in recognized markets and refer to the initial margin, and subsequent contributions and withdrawals made during the term of the respective contracts.

As of December 31, 2020 and 2019, the Financial Group held standardized and futures derivatives operations for which deposits of financial assets were recognized (cash margin calls) intended to ensure compliance with the obligations derived from the transactions performed in recognized markets so as to better mitigate the risk of default.

Investments in securities - These consist of debt instruments and share certificates and their classification is determined based on Management's intention at the time they are acquired. Each category has specific standards for recording, valuation and presentation in the consolidated financial statements, as described below:

- ***Trading securities***

  Trading securities represent investments in debt and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes applicable discount or premium). Furthermore, the cost is determined by the average cost method. They are subsequently valued at fair value, determined by using the prices calculated by the price vendor contracted by the Financial Group in accordance with the Provisions of the Commission.

  The difference between the cost of investments in debt securities plus their accrued interest and the cost of equity instruments relative to the respective fair values of such instruments is recorded in the consolidated statements of income under the account of “Gains/losses on financial assets and liabilities”. The effects of valuation are classified as unrealized and, therefore, cannot be distributed to stockholders until the securities are sold.

  Fair value is the amount at which an asset may be exchanged or a liability may be settled by informed and interested parties in an arm’s length transaction.

  Transaction costs incurred in connection with the acquisition of trading securities are recognized in results on the acquisition date.

  Cash dividends of shares are recognized in the results of the year in the same period in which the right to receive such payment arise.

  The exchange gains or loss on foreign currency investment in securities is recognized in the results of the year.

  Trading securities also include transactions pending settlement, which refer to sale and repurchase transactions of securities not settled. These transactions are valued and recorded as trading securities, recording the receipt and expense (debit or credit balance) of the securities subject to the transaction against the respective debit or credit settlement account, when the transaction is agreed upon.

  The Accounting Criteria of the Commission allow for certain reclassifications from trading securities to securities available for sale, only in extraordinary circumstances (for example, a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission. As of December 31, 2020 and 2019, no reclassifications were made.

- ***Securities available for sale***

  Securities available for sale are debt instruments and equity shares that are not held for purposes of obtaining gains on sales transactions derived from increases in value and, in the case of debt instruments, those that the Financial Group intends or is able to hold to maturity and, therefore represent a residual category, i.e., they are acquired for purposes other than those of trading securities or securities held to maturity because the Financial Group intends to trade such securities in the future prior to maturity.

  Upon acquisition, the securities are initially recorded at fair value plus the acquisition transaction cost, (including the discounts or markup, as applicable) and are subsequently valued at its fair value.

The Financial Group determines the increase or decrease in the fair value using prices provided by the price vendor, which uses various market factors for their determination. The yield on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security and is recognized in the consolidated statement of income under “Interest income”. Unrealized gains or losses resulting from changes in fair value as reported by pricing vendors are recorded in other comprehensive income under the account “Result from valuation of securities available for sale” net of related deferred taxes, except when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results for the year.

Cash dividends of shares are recognized in the result for the year during the same period in which the right to receive the dividend arises.

The exchange gains or loss on foreign currency-denominated investments in securities is recognized in results for the year.

The Accounting Criteria of the Commission allow to transfer for certain reclassification from securities held to maturity to securities available for sale, provided that there is no intention or capacity to hold them to maturity, as well as reclassifications from the category of trading securities to available for sale under extraordinary circumstances (for example, a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission.

As of December 31, 2020 and 2019, no reclassifications were made.

- ***Securities held to maturity***

  Securities held to maturity are those instruments whose payments are fixed or determinable and with a fixed maturity, which the Financial Group has both the intention and the ability to hold to maturity: these instruments are recorded initially at fair value, plus transaction costs from the acquisition (which includes, as the case may be, the discount or markup). Subsequently they are valued at amortized cost. Accrued interest is recorded in the consolidated statements of income using the accrued interest method under the account “Interest income”.

Impairment in the value of a financial instrument - The Financial Group must evaluate whether there is objective evidence that a credit instrument is impaired as of the consolidated balance sheet date.

A credit instrument is deemed to be impaired and an impairment loss is recognized, only if, there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the credit instrument, which had an impact on its estimated future cash flows that can be determined reliably. It is highly unlikely that one event can be identified that is the sole cause of the impairment, and it is more feasible that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of the probability that such events might occur.

Objective evidence that a credit instrument is impaired includes observable information such as, among others, the following events:

a) Significant financial difficulties of the issuer of the instrument;
b) It is probable that the issuer of the instrument will be declared bankrupt or another financial restructuring will take place;
c) Noncompliance with the contractual clauses, such as default on payment of interest or principal;
d) Disappearance of an active market for the instrument in question due to financial difficulties, or
e) A measurable decrease in the estimated future cash flows of a group of securities since the initial recognition of such assets, even though the decrease cannot be matched with the individual securities of the group, including:

   i. Adverse changes in the payment status of the issuers in the group, or

   ii. Local or national economic conditions which are correlated with defaults on the group’s securities.

As of December 2020 and 2019, Management of the Financial Group has not identified objective evidence of impairment of a credit instrument held.

Repurchase agreements - Sale and repurchase agreements are those in which the buying party acquires for a sum of money the ownership of securities and agrees within the agreed term and against reimbursement of the same price plus a premium, to transfer ownership of similar securities to the seller. Unless otherwise agreed, the premium is for the benefit of the buying party.

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. However, the economic substance of repurchase transactions is a secured financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as collateral in the event of default.

The repurchase transactions are recorded as indicated below:

When the Financial Group acts as the buying party on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, giving rise to an account receivable at fair value, which it is equal to the agreed price, representing the right to recover the cash delivered. The account receivable is valued subsequently during the term of the repurchase agreement at its amortized cost, recognizing the interest on the repurchase agreement.

On the contracting date of the repurchase transaction, when the Financial Group acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable at fair value, which represents the obligation to repay such cash to the buying party. The account payable is valued during the term of the repurchase transaction at its amortized cost, recognizing the interest in results as they are accrued.

When the transactions performed are classified as cash-oriented, the seller's intention is to obtain cash financing by using financial assets as collateral while the buying party obtains a return on its investment and, as it does not seek ownership over specific securities, receives financial assets held as collateral which serve to mitigate the exposure to risk face by the party in relation to the selling party. The selling party repays to the buying party the interest calculated based on the agreed of the repurchase agreements. Also, the buying party obtains yields on its investment, which is secured by the collateral.

When the transactions performed are considered as securities-oriented, the intention of the buying party is to temporarily access certain specific securities held by the selling party, by granting cash as collateral, which serves to mitigate the exposure to risk faced by the selling party in relation to the buying party. In this regard, the selling party pays the buying party the interest agreed at the repurchase agreement rate for the implicit financing obtained on the cash that it received, which such repurchase rate is generally lower than that which would have been agreed in a "cash-oriented" repurchase agreement.

Regardless of the economic intent, the accounting for "cash-oriented" or "securities-oriented" repurchase transactions is identical.

Noncash collateral granted and received in repurchase agreements - - In relation to the collateral granted by the selling party to the buying party (other than cash), the buying party recognizes the collateral received in memorandum accounts, following the valuation guidelines for the securities established in Criterion B-9, "Custody and Management of Assets" (Criterion B-9), issued by the Commission. The selling party reclassifies the financial asset in its balance sheet as a restricted asset according to the type of asset it is, which follows the valuation, presentation and disclosure standards as applicable.

Memorandum accounts recognized for collateral received by the buying party are cancelled when the repurchase transaction matures or when the selling party defaults.

When the buying party sells or pledges the collateral, the proceeds from the sale are recorded, and a liability for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral) and is subsequently valued at fair value in a sale, and at amortized cost if is considered as a pledge in another repurchase transaction (in which case, any difference between the price received and the fair value of the liability is recognized in results of the year). For purposes of presentation, the liability is offset by accounts receivable referred to as Repurchase agreements, which is generated when the purchases are reported. The debit or credit balance is shown under Repurchase agreements or sold collaterals or pledged as security as appropriate.

Similarly, if the buying party becomes a selling party due to another repurchase transaction with the same collateral as the initial transaction, the interest on the second repurchase transaction must be recognized in results for the year as it is accrued, according to the effective interest method, based on the account payable valued at amortized cost.

For transactions where the buying party sells or pledges the collateral received (for example, when another repurchase or securities loan transaction is agreed), memorandum accounts are used to control such collateral sold or pledged, which is valued using the standards applicable to custody transactions included in Criterion B-9.

Memorandum accounts which are recognized as received collaterals that in turn was sold or pledged by the buying party are cancelled when the collateral sold is purchased to return it to the selling party, or when the second transaction matures or the other party defaults.

Derivatives - The Financial Group carries out two types of transactions:

– *Trading purposes* - Its objective is different from that of covering open risk positions by assuming risk positions of the Financial Group as a participant in the derivatives market.

– *Hedging purposes* -Its objective is to mitigate the risk of an open risk position through operations of the Financial Group with derivative financial instruments.

The Financial Group initially recognizes all its derivatives (including those that are part of a hedging relationship) as assets or liabilities (depending on the related rights and/or obligations) in the consolidated balance sheet at fair value, which is presumed to be equal to the price agreed in the transaction.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results of the year.

Subsequently, all derivative financial instruments are valued at fair value without deducting any transaction costs incurred during the sale or any other type disposal, recognizing the valuation effect in results for the period under “Gain/losses on financial assets and liabilities”, except when the derivative financial instruments forms part of a cash flow hedge relationship. In this case, the portion of the gain or loss on the derivative financial instrument that is effective in the hedge is recorded in the comprehensive income account in stockholders' equity and the ineffective portion is recorded in the results for the year as part of " Gain/losses on financial assets and liabilities " account.

In the case of derivatives listed on recognized markets or exchanges, the rights and obligations relating thereto are deemed to have expired when the risk position is closed, when a derivative of the opposite nature with the same characteristics is entered into on such market or exchange.

The rights and obligations of derivatives that are not traded in a recognized markets or stock exchanges are considered to have matured when they reach their maturity date, when the rights are exercised by either party or when the parties early exercise the rights in accordance with the related conditions and the agreed consideration is settled.

Derivatives are presented in a specific account of assets or liabilities, depending on whether their fair value (as a result of the rights and/or obligations established) refers to a debit or credit balance, respectively. Such debit or credit balances may be offset as long as they comply with the respective offsetting rules.

The Financial Group presents this item “Derivatives” (debit or credit balance) on the consolidated balance sheets by segregating derivatives for trading purposes from derivatives for hedging purposes.

Derivatives held for trading

– *Forward and future contracts:*

Forward and future contracts for trading are those that establish an obligation to buy or sell an underlying asset on a future date at a pre-established amount, quality and price on a trading contract. Both forward and future contracts are recorded by the Financial Group as assets and liabilities in the consolidated balance sheets at the exchange rate established in the related underlying asset purchase-sale contract, to recognize the right and the obligation to receive and/or deliver the underlying asset, and the obligation to receive and/or deliver the cash equivalent to the underlying asset specified in the contract.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

For forward contracts, the exchange difference between the exchange rate agreed in the contract and the monthly forward exchange rate, as well as the valuation effects, are recorded in the consolidated statements of income under "Gains/losses on financial assets and liabilities".

For future contracts, a margin account is established whose counterparty is a clearing house, to minimize counterparty credit risk.

The margin account given in cash, does not form part of the initial net investment of the derivative, which is accounted separately from the derivative.

For financial statement classification purposes, with respect to derivative instruments that incorporate both rights and obligations, such as forwards and futures, such rights and obligations are offset by asset or liability positions, in case a compensation results in a debit balance the difference is presented in the assets in the "Derivatives" account, in case to have a credit balance this will be presented in liabilities in the "Derivatives" account.

– *Option contracts:*

Options are contracts that, in exchange for a premium, grant the right, but not the obligation, to buy or sell a specified number of underlying instruments at a fixed price within a specified period. For the rights that grant the options are divided in purchase options (call) and sale options (put).

The holder of a call has the right, but not the obligation, to purchase from the issuer a specified number of underlying assets at a fixed price (exercise price) within a specified period.

The holder of a put has the right, but not the obligation, to sell a specified number of underlying assets at a fixed price (exercise price) within a specified period.

Options may be exercised at the end of the specified period (European options) or at any time during such period (American options); the exercise price is established in the contract and may be exercised at the holder's discretion. The instrument used to set this price is the reference value or underlying asset. The premium is the price paid by the holder to the issuer in exchange for the rights granted by the option.

The Financial Group records the premium paid/received for the option on the transaction date as an asset or liability. Any fluctuations in the fair value are recognized in the consolidated statements of income under "Gains/losses on financial assets and liabilities". When an option matures or is exercised, the premium is cancelled against results for the year, also under "Gains/losses on financial assets and liabilities".

Recognized options that represent rights are presented, without offsetting, as a debit balance under the asset line item “Derivatives”. Recognized options that represent obligations are presented, without offsetting, as a credit balance under the liability line item “Derivatives”.

Trading option contracts are recorded in memorandum accounts at their exercise price, multiplied by the number of securities, distinguishing between options traded on the stock market from over-the-counter transactions, in order to control risk exposure.

All valuation gains or losses recognized before the option is exercised or before its expiration, are treated as unrealized and are not capitalized or distributed to stockholders until realized in cash.

– *Swaps:*

A swap contract is an agreement between two parties establishing a bilateral obligation for the exchange of a series of cash flows within a specified period and on previously determined dates.

The Financial Group recognizes in the consolidated balance sheet an asset and a liability arising from the rights and obligations of the contractual terms, valued at the present value of the future cash flows to be received or delivered according to the projection of the implicit future rates to be applied, discounting the market interest rate on the valuation date using curves provided by the price vendor, which are reviewed by the market risk department.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives other than hedging derivatives are valued at fair value, without deducting any transactions costs incurred during the sale or any other type of disposal, recognizing the valuation effect in results of the year.

If the counterparty credit risk of a financial asset related to the rights established in the derivatives is impaired, the carrying value must be reduced to the estimated recoverable value and the loss is recognized in the results of the year. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the period in which this occurs.

A swap contract may be settled in kind or in cash, according to the conditions established.

For purposes of classification in the financial information, with derivative financial instruments that incorporate rights and obligations at the same time, such as swaps, the asset and liability positions are offset contract by contract; if the offsetting results in a debit balance, the difference is presented as part of the assets, under the account of “Derivatives”. If a credit balance is generated, it is presented as part of the liabilities under the account of “Derivatives” in the consolidated balance sheet.

Hedging derivatives

The Financial Group’s Management enters into transactions with derivatives for hedging purposes using swaps.

Financial assets and liabilities which are designated and fulfill the requirements to be designated as hedged items, as well as financial derivatives which form part of a hedging relationship, are recognized in accordance with the hedge accounting provisions for the recognition of the gain or loss on the hedging instrument and of the hedged item, in conformity with that established in Criterion B-5, “Derivatives and hedging transactions” issued by the Commission.

A hedge relationship qualifies for designation as such when all the following conditions are fulfilled:

- Formal designation and sufficient documentation of the hedging relationship.
- The hedge should be highly effective in achieving the offsetting of the changes in fair value or in the cash flows attributable to the risk covered.
- For cash flow hedges, the forecast transaction proposed for hedging should be very likely to occur.
- The hedge should be reliably measurable.
- The hedge should be valued continuously (at least quarterly).

All the derivatives for hedging purposes are recognized as assets or liabilities (depending on the rights and/or obligations that they contain) on the consolidated balance sheet, initially at fair value, which is the price agreed in the transaction.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged and forms part of the accounting of “Derivatives” on the consolidated balance sheet and the accrued interest is recorded in the consolidated statements of income under the account of “Interest income” or “Interest expense”.

Derivatives transactions for hedging purposes are valued at market price and the effect is recognized depending on the type of accounting hedge, as follows:

Fair value hedges - Represents a hedge against exposure to changes in the fair value of recognized assets and liabilities or of firm commitments not recognized, or a portion of both, which is attributable to a specific risk and which may affect the results for the period. The primary position for the risk hedged and the derivative hedge instrument are valued at fair value with the net effect recorded in of results of the period in the account of "Gains/losses on financial assets and liabilities”. In fair value hedges, the adjustment to the carrying value for the valuation of the hedged item is presented in a separate account on the consolidated balance sheets.

Cash flow hedge - - Represents a hedge against exposure to variations in the cash flows of a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability, or with a highly probable event, and which (ii) may affect the result of the period. The hedged derivative instrument is valued at fair value. The effective portion of the gain or loss on the hedge instrument is recorded in the comprehensive profit and loss account as part of stockholders’ equity and the ineffective portion is recorded in the results for the year as part of the “Gains/losses on financial assets and liabilities".

The effective hedge component recognized in stockholders’ equity associated with the hedged item, is adjusted to equal the lower (in absolute terms) of the accumulated gain or loss on the financial hedge derivative since its inception, and the accumulated change in the present value of the future cash flows expected from the hedged item since the inception of the hedge.

Any residual gain or loss of the hedge instrument is recognized in the results for the period.

The Financial Group suspends hedge accounting when the derivative has matured, when the derivative is cancelled or exercised, when the derivative is not sufficiently effective to offset the changes in the fair value or cash flows from the hedged item, when it is established that the forecast transaction will not occur, or when it is decided that the hedge designation will be cancelled.

When fair value hedge accounting is no longer applied prospectively, any adjustment to the carrying value for the valuation of the hedged item attributable to the hedged risk, is amortized in the results for the period. The amortization is performed by the straight-line method over the remaining life of the item originally hedged.

When a cash flow hedge accounting is suspended, the accumulated gain or loss related to the effective portion of the hedge derivative that was recognized in the stockholders' equity as part of comprehensive income during the period of time that the hedge was effective, remains in stockholders' equity until the effects of the forecast transaction affect results. If it is no longer probable that the forecast transaction will occur, the gain or loss that was recognized in the comprehensive income account is recorded immediately in results. When the coverage of a forecast transaction is demonstrated to be effective on a prospective basis and subsequently is not highly effective, the accumulated gain or loss for the effective portion of the hedge derivative that was recognized in stockholders’ equity as part of compressive income during the period that the hedge was effective, is reclassified proportionally to results, when the forecast transaction is affected in the results.

Derivative packages listed on recognized markets as a single instrument are recognized and valued collectively (i.e. without disaggregating each financial derivative individually). Derivative packages not listed on a recognized market are recognized and valued on a disaggregated basis for each derivative that comprises such packages.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged, as part of the account of "Derivatives" on the consolidated balance sheet.

Embedded derivatives - An embedded derivative is a component of a hybrid (combined) financial instrument that includes a non-derivative contract (known as the host contract) in which certain cash flows vary in a manner similar to that of a standalone derivative. An embedded derivative causes certain cash flows required by the contract (or all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or index, or other variables allowed by applicable laws and regulations, as long as any non-financial variables are not specific to a portion of the contract. A derivative financial instrument that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument (i.e., in structured transactions).

An embedded derivative is separated from the contract host for purposes of valuation and to receive the accounting treatment of a derivative financial instrument, only if all the following characteristics are fulfilled:

a) The economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;

b) A separate financial instrument that has the same terms of the embedded derivative would comply with the definition of a derivative, and

c) The hybrid (compound) financial instrument is not valued at fair value with changes recognized in earnings (for example, a derivative financial instrument that is not embedded in a financial asset or a financial liability valued at fair value should not be separated).

The effects of the valuation of embedded derivatives are recorded under the same line item in which the host contract is recorded.

A foreign currency embedded derivative in a host contract, which is not a financial instrument, is an integral part of the agreement and therefore clearly and closely related to the host contract provided that it is not leveraged, does not contain an optional component and requires payments denominated in:

- The functional currency of one of the substantial parties to the contract;
- The currency in which the price of the related good or service that is acquired or delivered is regularly denominated for commercial transactions around the world;
- A currency which is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction is performed (i.e. a stable and liquid currency which is commonly used in local transactions, or in foreign trade transactions).

There is no an established valuation of the embedded derivatives denominated in foreign currency contained in contracts when such contracts require payments in a currency commonly used to purchase or sell non-financial items in the economic environment in which the transaction is carried out (i.e. a stable and liquid currency commonly used in local transactions, or in foreign trade).

Loan portfolio - Represents the outstanding balance of cash disbursed to borrowers, plus the uncollected interest earned. The "Allowance for loan losses" is presented as a reduction to the balances of the portfolio.

The Financial Group has classified its loan portfolio as follows:

a. *Commercial:* Direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, investment units (UDI) or multiples of the minimum wage (VSM), together with any accrued interest, which are granted to corporations or individuals with business activities and are used in connection with commercial or corporate activity; includes loans granted to financial entities (other than interbank loans with maturities of less than 3 business days), loans arising from financial factoring, discounts and the assignment of credit rights and leasing transactions executed with such corporations or individuals; loans granted to trustees who act under the protection of trusts, and the credit schemes commonly known as “structured” in which a net worth effect allows the associated risks to schemes be individually evaluated. Also, are included loans granted to states, municipalities and their decentralized agencies as well as those assumed by the federal government or with an express federal guarantee, registered before the SHCP´s General Department of Public Credit and the Central Bank.

b. *Housing loans:* Direct loans denominated in Mexican pesos, foreign currency, UDI or VSM, and the interest they generate, granted to individuals and intended for acquisition or construction for non-profit making purposes that have guaranteed by the borrower's home. Furthermore, housing loans are considered to include those intended for remodeling or improvements of the home which are backed by the savings from the borrower’s housing subaccount, or have collateral granted by a development bank or a public trust established by the Federal Government for economic development. Also, they include the loans granted for such purposes to former employees of the states and those liquid loans secured by the home of the borrower.

c. *Consumer*: Direct credits, including liquidity credits which do not have collateral from real estate property, denominated in Mexican pesos, foreign currency, UDI or VSM, and the interest they generate, granted to individuals, derived from credit card transactions, personal loans, payroll transactions (different from those granted through a credit card), loans for the acquisition of consumer durables (known as ABCD), which includes, among others automotive loans and loans for financial leases which are carried out with individuals, including those loans granted for such purposes to the former employees of the states.

Performing loan portfolio - The Financial Group applies the following criteria to classify the loans within performing portfolio:

- Loans that are current in the payments of both principal and interest.
- Loans with extension of the loan payment, as well as those loans with payment of principal and overdue interest which had no classified as non-performing portfolio, and
- Restructured or renewed loans, which were previously classified as non-performing loan portfolio, which have evidence of sustained payment.

Non-performing loan portfolio - The Financial Group applies the following criteria to classify uncollected loans as non-performing:

1. If the borrowers are declared bankrupt, except for those loans:

   i. For which the Financial Group continues to receive payment under the terms of section VIII of Article 43 of the Bankruptcy Law, or

   ii. That are granted under Article 75 in relation to Sections II and III of Article 224 of the above mentioned Law.

2. Loans with outstanding principal, interest or both, with the following characteristics:

   a) Loans with a single payment of principal and interest at maturity are classified as non-performing 30 calendar days after the date of maturity.
   b) Loans with a single payment of principal at maturity and with periodic interest payments are classified as non-performing 90 calendar days after interest is due or 30 calendar days after principal is due.
   c) Loans, including housing loans, whose principal and interest payments have been agreed in periodic installments are classified as non-performing 90 calendar days after they become due.
   d) Revolving loans for which the borrower has failed to render payment on two monthly billing periods, or, if the billing period is different from monthly, are 60 or more calendar days overdue.
   e) Immediate collection documents referenced in Criterion B-1“Funds available” will be reported in the non-performing portfolio at the date of the overdraft.

These exceptions will not be mutually exclusive.

In the case of loan portfolio acquisitions, to determine the days in arrears and the respective transfer to non-performing portfolio, any defaults on the part of the borrower since origination must be taken into account.

The accumulation of accrued interest on the credit transactions is suspended at the time the loan is classified as non-performing portfolio, including those loans which, in accordance with the respective contract, capitalize interest to the amount of the debt. While a loan remains in the non-performing portfolio, accrued interest is recorded in memorandum accounts. When this non-performing interest is collected, it is recognized in results of the year under the account of "Interest income".

With regard to ordinary uncollected accrued interest on loans which are considered as non-performing portfolio, the Financial Group creates an allowance for the total amount of the interest at the time the loan is transferred to non-performing portfolio.

Restricted loans - Are considered those loans for which there are circumstances which cannot provide or make used of them, having to be submitted as restricted; for example, the loan portfolio given the transferor as security or collateral in securitization transactions.

Evidence of sustained loan payment - Payment fulfillment by the borrower without delay for the total due and payable amount of principal and interest, in relation to at least three consecutive repayments under the credit payment scheme, or, in the case of credits with repayments that cover periods longer than 60 calendar days, the payment of one repayment.

In the case of loans with a single payment of principal maturity, regardless of whether the payment of interest is periodic or at maturity, sustained payment of the loan is deemed to exist when either of the following assumptions is fulfilled:

a) The borrower has covered at least 20% of the original amount of the loan at the time of the restructuring or renewal, or,

b) The amount of accrued interest was covered in accordance with the restructuring or renewal payment scheme for a period of 90 days.

Restructuring processes and renewals - A restructuring process is a transaction derived from any of the following situations:

a) The extension of the guarantees covering the loan in question, or

b) The modification of the original loan conditions or payment scheme, including the following:

- The modification of the interest rate established for the remaining loan period;
- The change of currency or unit of account, or
- The concession of a grace period regarding the payment obligations established according to the original loan terms, unless this concession is granted following the conclusion of the originally agreed period, in which case it is considered as a renewal.
- Extension of the loan payment period

A renewal occurs when the loan balance is settled partially or totally, through an increase in the original amount of the loan, or with the product derived from another loan contracted with the same entity, to which the same borrower is party, a joint obligor of such borrower or another person who due to his property links assumes common risks.

Notwithstanding the above, a loan will not be considered as renewed for the dispositions made during the effective term of a pre-established credit line, as long as the borrower has settled the total amount of the payments which are due and payable under the original conditions of the loan.

The specific standards related to the recognition of restructurings and renewals are as follows:

1. Non-performing loans which are restructured or renewed will remain in the non-performing loan portfolio until there is evidence of sustained payment.

2. Loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as non-performing portfolio until there is evidence of sustained payment

3. Loans granted under a line of credit, whether revolving or not, which are restructured or renewed at any time, may be kept in the performing portfolio provided that there were elements to justify the payment capacity of the borrower. Additionally, the borrower must have:

    a) Settled the total payable interest, and

    b) Rendered total payments required to cover the terms of the contract at the date of the restructuring or renewal.

4. In the case of dispositions made under a line of credit, when they are restructured or renewed independently from the credit line supporting them, they must be evaluated in accordance with the provisions based on the characteristics and conditions applicable to the restructured or renewed dispositions. When as a result of such analysis it is concluded that one or more of the dispositions made under a credit line should be transferred to non-performing loan portfolio due to the effect of their restructuring or renewal, and whether individually or collectively, represent at least 25% of the total balance exercised of the line of credit at the date of the restructuring or renewal, such balance, as well as subsequent dispositions, must be transferred to non-performing loan portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to non-performing loan portfolio. Also, the total dispositions made under the line of credit have complied with the due and payable obligations at the date of the transfer to performing loan portfolio

5. Performing loans with characteristics different from those included in numerals 2 through 4 before, those which are restructured or renewed, without at least 80% of the original term, will still be considered as performing, only when:

    a) The borrower has settled the total amount of the accrued interest as the date of the renewal or restructuring, and
    b) The borrower has settled the principal of the original amount of the loan, which should have been settled at the date of the renewal or restructuring

    Absent compliance with all the conditions described in the preceding numeral, the loan will be considered as non-performing loan portfolio since the time they are restructured or renewed until there is evidence of sustained payment, as the case may be.

6. Performing loans with characteristics different from those established in numerals 2 through 4 which are restructured or renewed during the course of the final 20% of the original loan term, will be considered as performing only when the borrower has

    a. Settled the total accrued interest as of the date of the renewal or restructuring;
    b. Settled the principal of the original amount of the loan, which should have been settled as of the date of the renewal or restructuring, and
    c. Settled the 60% of the original amount of the loan.

Absent compliance with all the conditions described in the preceding numeral, loan will be considered as non-performing loan portfolio from the moment they are restructured until here is evidence of sustained payment.

The requirements referred to the numerals 5 and 6 of subsection above, will be considered as fulfilled when, after the accrued interest as of the last cutoff date has been settled, the term elapsed between such date and the restructuring or renewal does not exceed the lower of half the payment period in question or 90 days.

Performing loans with partial periodic payments of principal and interest restructured or renewed on more than one time, may remain in performing loan portfolio if, in addition to the conditions established in numerals 5 or 6 above, as the case may be, the Financial Group has elements to substantiate the payment capacity of the borrower. Elements must be clearly documented and included in the loan file in the case of commercial loans.

If in a restructuring or renewal, different loans granted to the same entity to the same borrower are consolidated, each of the consolidated loans must be analyzed as if they were restructured or renewed separately and, if as a result of such analysis it is concluded that one or more of such loans would have been transferred to non-performing loan portfolio as a result of such restructuring or renewal, the total balance of the consolidated loan must be transferred to non-performing loan portfolio.

The foregoing shall not applicable to those restructurings which at the transaction date submit payment for the total amount of the principal and interests and only modify one or more of the following original loan conditions:

- Guarantees: only when they involve the extension or substitution of guarantees by others of better quality.

- Interest rate: when the interest rate to the borrower is improved.

- Currency or unit of account: Provided that the exchange rate corresponding to the new currency or unit of account is applied.

- Payment date: Only in the case that the exchange rate does not imply to exceed or modify the periodicity of the payments. In no case shall the change of the payment date must allow the omission of payment in any period.

Write-offs, eliminations and recoveries of credit portfolio - The Financial Group periodically evaluates whether a non-performing loan should remain on the balance sheet or be written off. Such write-offs are made by cancelling the unpaid balance of the loan against the allowance for loan losses. When the loan to be written off exceeds the balance of its related allowance, before completing such write-off the allowance is increased up to the amount of the difference.

Any recovery derived from loans already written off or eliminated is recognized in results of the year under allowance for loan losses.

Classification of leasing transactions - - Leases are recognized as finance leases if the contract implies a transfer of the risks and benefits from the lessor to the lessee; otherwise, they are considered operating leases. In this regard, a transfer of risks and benefits takes place if, at the starting date of the lease, any of the assumptions described below is fulfilled:

- The lease agreement transfers ownership of the leased good to the lessee at the end of the lease term.

- The lease agreement contains a purchase option at a reduced price.

- The lease term is substantially the same as the remaining useful life of the leased asset.

- The present value of the minimum payments is substantially the same as the market value of the leased asset or residual value which the lessor may keep for itself.

- The lessee may cancel the lease agreement and the losses associated with the cancellation will be covered by
- the latter.

- The profits or losses derived from fluctuations in the residual value accrue to the lessee, or

- The lessee may extend the lease for a second term with a rental substantially lower than fair value.

For the application of the above-mentioned requirements it is understood that:

- The lease term is substantially the same as the remaining useful life of the leased asset, if the lease agreement covers at least 75% of such useful life.

- he present value of the minimum payments is substantially the same as the market value of the leased asset, if it constitutes at least 90% of the value of the asset.

- The minimum payments consist of those payments which the lessee is required to make or may be required to make in relation to the property leased, plus the guarantee of a third party not related to the Financial Group, of the residual value or rental payments beyond the term of the lease agreement.

The classification of the leases based on the aforementioned policies presents differences, both in the legal form in which the transactions are contracted, and in the criteria of their classification for tax purposes. This situation generates effects in the recognition of the allowance for loan losses and of deferred taxes.

Finance lease transactions are recorded as direct financing, considering the total rentals agreed in the respective contracts as loan portfolio. The financial revenue from these operations is equivalent to the difference between the value of the rentals and the cost of the leased assets, which is recorded in results as it is accrued. The reduced-price purchase option of the finance lease agreements is recognized as revenue on the date that it is collected or as amortizable revenue during the remaining term of the lease, at the time that the lessee undertakes to exercise such option. For purposes of presentation, the balance of the portfolio refers to the unpaid balance of the loan granted, plus the uncollected accrued interest.

During the effective term of the contract the Financial Group recognizes interest income as it is accrued, cancelling the deferred credit already recognized (financial charge). When the loan portfolio is considered as non-performing the recognition of interest is suspended.

The rentals agreed in the operating leases are recognized as they are accrued. The costs and expenses associated with granting the lease are recognized as a deferred charge, which is amortized in results within the financial margin, as the rental income from the respective contracts is recognized.

Allowance for loan losses - The Financial Group creates the allowance for loan losses based on the portfolio classification rules established in the General Provisions Applicable to Credit Institutions issued by the Commission, which establish methodologies for the recognition and measurement of reserves based as follows:

- *Commercial loans portfolio*

  The Financial Group rates commercial loan portfolio considering the Probability of Default (PI), Loss Severity (SP) and Exposure at Default (EIi) and classifies the aforementioned commercial loan portfolio into different groups and provides different variables for estimating the PI.

  The amount of the allowance for loan losses of each loan will be the result of applying the following formula:

$$R_i = PI_i \, x \, SP_i \, x \, EI_i$$

  Where:

  Ri = Amount of reserves to be created for the nth loan.
  PIi = Probability of default of the nth loan.
  SPi = Severity of loss of the nth loan.
  EIi = Exposure to default of the nth loan.

Default Exposure (EI) is the balance of revocable credit lines plus the unused portion of irrevocable credit lines. The Probability of Default (PI) is the probability of customer default, which considers quantitative and qualitative information, the Financial Group classifies the commercial loan portfolio in groups to calculate the PI The Loss Severity (SP) is the percentage of the EI that would be lost in the event of loan default and depending on the loan enhancements and portfolio type.

The parameter EI, should calculated each month, the PIi; and the SPi at least each quarter.

a) *The probability of default*

It is calculated using the following formula:

$$PI_i = \frac{1}{1+e^{-(500-\textit{Total Credit Score}_i)\times\frac{\ln(2)}{40}}}$$

PFor purposes of the above:

The total credit score of each borrower will be obtained by applying the following:

Total Credit Score = *a*x(PCCt) + (1-*a*) PCCl

Where:

Quantitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors.

Qualitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors

a = Is the relative weight of the quantitative credit score.

Unsecured loans

The SP for commercial loan portfolio and which lack actual or personal guarantees and those derived from the loan itself will be:

a) 45%, for Preferred Positions.

b) 75% to syndicated loans, in those contractually subordinated to those of other creditors for payment prioritization purposes.

c) 100%, for loans with payments that are 18 months or more past-due based on the settlement terms under the original agreed terms.

The Financial Group may recognize mortgage collateral, personal guarantees, and credit derivatives in the estimation of the Severity of the Loss on the loans for the purpose of decreasing the loan reserves originated by the loan portfolio rating. In any case, it may elect to not recognize the guarantees if they result in larger loan reserves. For such purpose, the Accounting Criteria established by the Commission are applied.

b) *b) Default exposure -*

The EI of each loan is determined by considering the following factors:

I. Uncommitted credit lines that can be unconditionally cancelled or automatically cancelled at any time and without prior notice:

$$EI_i = S_i$$

II. For other lines of credit

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{\textit{Authorized Line of Credit}}\right)^{-0.5794}, 100\%\right\}$$

Where:

Si: The unpaid balance of the nth loan at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted. In any case, the amount subject to be classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet for loans classified in non-performing portfolio.

In any situation, the amount subject to classification shall not include the uncollected accrued interest recognized in memorandum accounts corresponding to non-performing portfolio.

Authorized Line of Credit: The maximum authorized amount of the line of loan at the classification date.

The allowance for loan losses of commercial loan portfolio of a Multiple Purpose Financial Entity, in which the institutions held less than 99% of their capital stock, is calculated by multiplying the exposure to default by 0.5% in accordance to the Provisions.

Loans granted under the terms of the Bankruptcy Law (BL)

In the case of loans granted under the terms of section II of Article 224 of the BL, the Severity of the Loss is subject to the following treatment:

$$SP_i = Max\left(Min\left(1-\frac{Credit\ Enhancements + Adjusted\ net\ Worth}{Si}, 45\%\right), 5\%\right)$$

Where:

Credit Enhancements = The credit enhancements provided pursuant to Article 75 of the BL by applying, as the case may be, the required adjustment factors or discount percentages based on each type of admissible enhancement.

Adjusted Net Worth = Net Worth, as defined by the BL, after deducting the amount of the obligations referred to by section I of Article 224 of the BL and applying a 40% discount to the resulting amount.

S_i = the outstanding balance of loans granted under the terms of section II of Article 224 of the BL as the classification date.

In the case of loans granted under the terms of section III of Article 224 of the BL, the Severity of the Loss is subject to the following treatment

$$SP_i = Max\left(Min\left(1-\frac{Credit\ Enhancements + Adjusted\ net\ Worth}{Si}, 45\%\right), 5\%\right)$$

Where:

Adjusted Net Worth = = Net Worth, as defined by the BL, by deducting the amount of the obligations referred to by sections I and II of Article 224 of that Law and applying a 40% discount rate to the resulting amount..

S_i = the outstanding balance of loans granted under the terms of section III of Article 224 of the BL at the rating date.

Credit portfolio of states and municipalities

When classifying the credit portfolio of states and municipalities, the Financial Group considers the Probability of Default (PI), Severity of Loss (SP) and Exposure to Default (EI), while also classifying the aforementioned portfolio of States and municipalities into different groups and establishing different variables for the estimate of the Probability of Default of the commercial portfolio, in relation to credits granted to states and municipalities.

The allowance for loan losses of each credit will be the result of applying the following expression:

$$R_i = PI_i \, x \, SP_i \, x \, EI_i$$

Where

Ri = Amount of reserves to be created for the nth loan.
PIi = Probability of default on the nth loan.
SPi = Severity of loss of the nth loan.
EIi = Exposure to default of the nth loan.

The PI of each loan, is calculated using the following formula:

$$PI_i = \frac{1}{1+e^{-(500-\mathit{Total\ Credit\ Score}_i) \text{ x } \frac{1n(2)}{40}}}$$

For purposes of obtaining the respective PIi, the total credit score of each borrower is calculated by using the following expression:

Total Credit Score = a*x*(PCCt) + (1-a) PCCl

Where:

PCCt = Quantitative Credit Score = IA+ IB + IC

PPCl = Qualitative Credit Score = IIA + IIB

a = 80%

IA = *Risk Factor Payment experience* - Average number of days in arrears with banks (IFB) + percentage of timely payments with IFB + percentage of timely payments with non-bank financial institutions.

IB = *Risk Factor Evaluation of Ratings Agencies* - Number of recognized ratings agencies in accordance with the provisions which provide a rating to the state or municipality.

IC = *Risk Factor Financial* - Total debt to eligible participations + debt service to total adjusted revenues + short-term debt to total debt + total revenues to current expense + investment to total revenues + proprietary revenues to total revenues.

IIA = *Risk Factor Socioeconomic* -- Local unemployment rate + presence of financial services of regulated entities.

IIB = *Risk Factor Financial strength* - Contingent obligations derived from retirement benefits to total adjusted revenues + operating balance sheet to local Gross Domestic Product + level and efficiency of collections + solidity and flexibility of the regulatory and banking framework for the approval and execution of the budget + solidity and flexibility of the regulatory and banking framework for the approval and imposition of local taxes + transparency in public finances and public debt + issuance of outstanding debt in the securities market.

Unsecured loans

The SP on the credits granted to states or municipalities which have no real, personal or credit-based collateral will be:

a. 45%, Preferred Positions.

b. 100%, for loans which payments that are 18 months or more past due based on the settlement terms under the original agreed terms.

The EI will be determined based on the following:

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{Authorized\ Line\ of\ Credit}\right) ,100\%\right\}$$

Where:

Si = The unpaid balance of the nth credit at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as any reductions, amounts forgiven, rebates and discounts granted. In every case, the amount subject to the rating must not include the uncollected accrued interest, recognized in memorandum accounts within the consolidated balance sheet of loans in non-performing portfolio.

Authorized Line of Credit = The maximum authorized amount of the line of loan at the classification date.

The Financial Group may recognize mortgage collateral, personal guarantees and credit derivatives in the estimation of the SP on the loans, for the purpose of decreasing the loan reserves originated by the loan portfolio rating. For such purpose, the Provisions established by the Commission are applied.

Eligible real collaterals may be financial and non-financial. Furthermore, only the real collateral which complies with the requirements established by the Commission will be recognize.

Housing loan portfolio:

When classifying the housing mortgage loan portfolio, considers the type of loan, the estimated PI of the borrowers, the SP associated with the value and nature of the loan's collateral and the EI.

Furthermore, the Financial Group rates, calculates and records the allowance for loan losses on the housing mortgage loan portfolio as follows:

Amount Due - Amount which the borrower is obligated to pay in the agreed billing period, without considering any previous due and payable amounts that were not paid.

If the billing is semi-monthly or weekly, the due and payable amounts of the two semi-monthly payments or four weekly payments in the month, respectively, must combined so that the due and payable amount reflects a monthly billing period.

The discounts and rebates may reduce the due and payable amount only when the borrower complies with the conditions required in the loan contract for such purpose.

Payment Made- Includes total payments made by the borrower in the billing period. Write-offs, reductions, amounts forgiven, rebates and discounts made to the loan or group of loans are not considered as payments. If the billing is semi-monthly or weekly, the two semi-monthly payments or four weeks of a month, respectively, must be combined so that the payment made reflects one full monthly billing period.

The variable "payment due" must be greater than or equal to zero.

Value of the Home Vi - The value of the home at the time of the loan origination, restated in accordance with the following:

I. For loans with an origination date prior to January 1, 2000, in two stages:

a) First stage, based on the General Minimum Wage (SMG)

$$\textit{Value of Home 1st Stage} = \frac{SMG\ \textit{31/DIC/1999}}{SMG\ \textit{in the month of the origination}} \times \textit{Value of Home at Origination}$$

Where:

The value of the home on the origination date reflects the home value ascertained through an appraisal at the time the loan was originated.

b) Second stage, based on the monthly National Consumer Price Index (INPC).

$$\textit{Value of Home} = \frac{INPC\ \textit{month of classification}}{INPC\ \textit{Jan 1, 2000}} \times \textit{Value of Home 1st Stage}$$

II. For loans with an origination date prior to January 1, 2000, in accordance with subsection b) of numeral. I above..

In any case, the home value at the time of the origination may be restated based on a formal appraisal.

Loan Balance S_i - The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less any insurance payments which were financed, collections of principal and interest, as well as reductions, amounts forgiven, rebates and discounts granted, as the case may be.

The total amount of the allowance for loan losses to be established by the Financial Group will be equal to the allowance for loan losses on each loan, as follows:

$$R_i = PI_i \, x \, SP_i \, x \, EI_i$$

Where:

Ri = Amount of allowance for loan losses to be created for the nth loan.
PI_i = Probability of default on the nth loan.
SPi = Severity of the loss on the nth loan.
EIi = Exposure to default on the nth loan.

In any case, the amount subject to the classification must not include uncollected accrued interest recorded on the consolidated balance sheet, of loans classified within non-performing portfolio.

Consumer loan portfolio

The Financial Group classifies the non-revolving consumer portfolio in accordance with the Provisions as follows:

- ABCD (B): Personal loans destined for the acquisition of durable consumer goods, with the exception of loans whose destination is the acquisition of private automotive vehicles

- Auto (A): Personal loans destined for the acquisition of private automotive vehicles.

- Payroll (N): Liquidity loans granted by the Financial Group where the payroll account of the borrower is managed and which are collected through such account.

- Personnel (P): Loans that are collected by the Financial Group by any means of payment other than the payroll account, as well as loans with a billing period other than weekly or biweekly, which are granted to groups of people in which each member is jointly and severally liable for the total payment of the loan, even though the credit rating is made individually for each member of the Financial Group.

- Other (O): Any other non-revolving consumer loan, different from the ABCD, Auto, Payroll or Personal categories

El monto total de la estimación preventiva para riesgos crediticios correspondiente a la cartera de consumo no revolvente, será igual a la estimación preventiva para riesgos crediticios de cada crédito, conforme a lo siguiente:

$$R_i = PI_i \, x \, SP_i \, x \, EI_i$$

Where:

R_i = Amount of reserves to be constituted for the nth loan.
PI_i^x = Probability of default of the nth loan, classified as "B, A, N, P or O", respectively.
SP_i^x = Severity of the loss of the nth loan, classified as "B, A, N, P or O", respectively.
EI_i = Exposure to default of the ith loan.
X = Superscript indicating whether the type of loan corresponds to ABCD (B), auto (A), payroll (N), personal (P) or other (O).

The total amount of the allowance for loan losses to be constituted by the Financial Group for this portfolio will be equal to the sum of the allowance of each loan.

The consumer loan portfolio related to credit card operations

The allowance for credit card losses is calculated by considering a loan by loan base, using the figures for the last period of known payment and taking into account factors such as: i) balance payable, ii) payment made, iii) credit limit, iv) minimum payment required, v) non-payment vi) amount payable to the Financial Group, vii) amount payable reported in the credit information agencies, as well as viii) seniority of the borrower in the Financial Group.

- *Reserve constitution and classification by degree of risk*

  The total amount of the allowance for loan losses to be created by the Financial Group for the loan portfolio is equal to the sum of the reserves for each loan.

  Allowance for loan losses that should be create for loan portfolio are calculated based on the general methodology, should be classified according to risk levels A-1, A-2, B-1, B-2, B-3, C-1, C-2, D and E in accordance with the following table:

	Consumer		Commercial
	Non- revolving	Other revolving loans	
A-1	0 to 2.0	0 to 3.0	0 to 0.9
A-2	2.01 to 3.0	3.01 to 5.0	3.01 to 1.5
B-1	3.01 to 4.0	5.01 to 6.5	1.501 to 2.0
B-2	4.01 to 5.0	6.51 to 8.0	2.001 to 2.50
B-3	5.01 to 6.0	8.01 to 10.0	2.501 to 5.0
C-1	6.01 to 8.0	10.01 to 15.0	5.001 to 10.0
C-2	8.01 to 15.0	15.01 to 35	10.001 to 15.5
D	15.01 to 35.0	35.01 to 75.0	15.501 to 45.0
E	35.01 to 100	Greater than 75.01	Greater than 45.0

Other accounts receivable, net - These items primarily represent receivable or payable amounts derived from the purchase-sale of currency in which immediate settlement was not agreed (value date exchange transactions). These transactions are recorded on the day they are agreed and settled within periods of 24, 48, 72 or 96 hours.

The Financial Group has a policy of reserving in the results those receivable accounts identified and not identified within 90 days and 60 days after the initial recognition, respectively.

Revenue is recorded on an accrual basis and the accumulation of accrued income is suspended at the moment in which the credit for the above present 90 or more calendar days of non-payment.

Premiums receivable - Uncollected premiums represent the balances of premiums which are aged less than the term agreed or 45 days, according to the provisions of the Commission. When they exceed the aforementioned aging, they are cancelled against results of the year, except when involving premiums receivable from agencies or entities of the Federal Public Administration, which are reclassified to “Debts payable by agencies or entities of the Federal Public Administration”; if they are backed by a national public tender covered by such entities which, for purposes of the tender, have signed an agreement with the Executive Branch which are supported in the Federal Spending Budget for the fiscal year in question.

Reinsurer and reinsurance receivable - The Financial Group has reinsurance accounts receivable and receivable balances due from reinsurers. The placement of businesses and their recovery is usually through intermediaries. Reinsurers have the obligation to reimburse the Group for the claims paid based on their participation.

Foreclosed assets, net - Foreclosed assets are recorded at the lower of cost or fair value less direct and incremental costs and expenses incurred in the foreclosure process. In the case of foreclosures, the cost is the amount established for purposes of the foreclosure, whereas for accord and satisfaction, it is the price negotiated between the parties.

The Financial Group creates allowances on the carrying value of these assets based on percentages established by the Commission, by type of property (personal property or real property) and based on the time elapsed as of the date of the foreclosure or payment dation.

The Financial Group records additional provisions on a quarterly basis on foreclosed judicial and extrajudicial assets or assets received as payment in kind, whether personal property or real property, and the collection rights and investment in securities according to the following procedure:

I. For collection rights and personal property, the amount of reserves to be created will be the result of applying the reserve percentage shown in the table below, the value of the collection rights or the value of property obtained in accordance with the Commission’s Accounting Criteria

Reserves for collection rights and personal property	
Time elapsed since collection or payment in kind (months)	**Reserve percentage**
Up to 6	0%
More than 6 up to 12	10%
More than 12 up to 18	20%
More than 18 up to 24	45%
More than 24 up to 30	60%
More than 30	100%

II. II. For investment in securities, they must be valued as set forth in Criterion B-2 “*Investment in securities*” of the Commission’s Accounting Criteria, with annual audited financial statements and monthly reports..

After the foreclosure or payment in kind have been valued, the reserves shall be determined using the percentages in the table contained in section I of Article 132 of the General Provisions Applicable to Credit Institutions, considering estimated values determined in accordance with the preceding paragraph.

III. For real estate assets, the amount of reserves to be created will be the result of applying the reserve percentage in the table below and the value of the foreclosed of personal property calculated in accordance with the Accounting Criteria.

Reserve for real estate assets	
Time elapsed since collection or payment in kind (months)	**Reserve percentage**
Up to 12	0%
More than 12 up to 24	10%
More than 24 up to 30	15%
More than 30 up to 36	25%
More than 36 up to 42	30%
More than 42 up to 48	35%
More than 48 up to 54	40%
More than 54 up to 60	50%
More than 60	100%

If valuations carried out subsequent to the foreclosure or payment in kind result in the recording of a decrease in the value of collection rights, securities or real estate assets, the loss reserve percentages referred to in Article 132 of the Provisions may be applied to the adjusted value.

Property, furniture and equipment, net - Property, installations expenses and leasehold improvements are recorded at acquisition cost. The assets which were acquired prior to December 31, 2007 were adjusted for inflation by applying factors derived from the UDI from the date of acquisition up to such date. The related depreciation and amortization are recorded by applying a percentage determined based on their estimated economic useful lives, applying the rates indicated below:

	Rate
Buildings	5%
Computer equipment	30%
Furniture and equipment	10%
Vehicles	25%
Machinery and equipment	30%

Maintenance expenses and repairs are recorded in the consolidated statement of income as incurred.

In the case of fixed assets subject to operating leases, depreciation is calculated on the restated value, less residual value, using the straight-line method over the term established in the respective contracts.

Investment in shares - Investment in shares in entities in which significant influence is exercised, are recognized initially based on the net fair value of the identifiable assets and liabilities of the entity at the acquisition date.

i. *Risk capital investments (companies promoted)* - At the time of their acquisition, investments in shares of companies promoted by a mutual fund are recognized for the total amount of resources paid.

In accordance with the Accounting Criteria, acquisitions of shares in promoted companies are considered permanent investments, whether or not in control of them. Under NIF, these investments are considered as risk capital investments and are stated at fair value.

The value of investments in shares of companies promoted by a mutual fund is restated every quarter by the equity method, which consists of recognizing the Financial Group's participation in the results for the year and other stockholders´ equity accounts reported in the consolidated financial statements of such promoted companies, and is recorded in results for the year under "Equity in income of unconsolidated subsidiaries and associates", and in stockholders' equity, under "Result from holding non-monetary assets", respectively.

As of December 31, 2020 and 2019, the valuations of promoted companies are based on the latter of the consolidated financial statements of the promoted companies used in the valuation of the investments as of September 30, 2020 and 2019, respectively, or on the date of the investment.

The gain or loss obtained on the sale of shares of such promoted companies is recorded on the date that the transaction is performed. .

ii. *Associates and other investments-* - Investments in associates and other permanent investments are recorded initially at acquisition cost and are subsequently valued under the equity method, on which basis the equity in results and in stockholders' equity is recognized.

Long-term assets available for sale **–** As mentioned in Note 1, it corresponds to the acquisition cost of 99.9080% of the shares of Promotora de Infraestructura de Readaptación Social S.A. de C.V. and Subsidiaries acquired on November 20, 2020 by Capital Inbursa with fulfillment of conditions precedent on February 17, 2020 whose intention, based on what was agreed at the stockholders' meeting of Capital Inbursa, is to sell them in a period of less than one year.

In accordance with financial information standard NIF B-11 Provision of long-term assets and discontinued transactions, due to the Financial Group since its acquisitions had destined this acquired entities to be exclusively sell and to obtain the amount recoverable of the carrying amount through the sale instead of the continued used, such shares are presented as a long term asset available for sale

Other assets - Software, system developments and intangible assets are recorded originally at nominal value disbursed.

The amortization of software, computer developments and intangible assets with defined lives is calculated by using the straight line method the rates based over their estimated useful lives to the update assets.

The "Other assets" account is used to record securities investments forming part of the fund used to cover obligations derived from the pension plan and seniority premiums of employees whose contracts are held by a trust administered by the Financial Group.

The securities investments required to cover the pension plan and seniority premium are recorded at their market value.

Goodwill - Represents the excess of the purchase price paid over the fair value of the net assets of the entity acquired on the acquisition date, which is not amortized and is subject to impairment tests at least once a year.

Intangible assets acquired - The intangible assets resulting from the acquisition of the businesses, for the period of 2015 and performed by Banco Brasil and HF Wal-Mart, S.A. de C.V., are recognized in the consolidated balance sheet. The valuation of the intangible asset is in accordance with NIF C-8 *"Intangible Assets"*.

Impairment of long-lived assets in use - The Financial Group reviews the carrying value of long-lived assets in use for impairment when there are indicators that the net carrying amounts of the assets may not be recoverable. The impairment is recorded to the extent that the carrying value of the asset exceeds the recoverable amount, which is defined as the higher of the present value of net future cash flows or the estimated sales price. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period which, if combined with a history or projection of losses, depreciation and amortization charged to results as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors. The loss from impairment in value of long-lived assets in use, as well as its reversal, are presented in the statement of income in the line items of costs and expenses in which the respective depreciation or amortization is recognized for such assets. Losses from impairment cannot under any circumstance be presented as part of the expenses that were capitalized in the value of an asset.

As of December 31, 2020 and 2019, the Financial Group has not identified impairment of long-lived assets.

Deposits - Liabilities from deposits through demand deposits and time deposits, as well as interbank loans and from other agencies, are recorded by taking the contractual value of the obligation as their base. Interest payable is recognized in results, within the financial margin, as it is accrued, based on the interest rate agreed.

The securities included in deposits which form part of direct bank deposits, are classified and recorded as follows:

- Securities offered at nominal value; are recorded based on the contractual value of the obligation, recognizing the accrued interest directly in results.

- Securities offered at a price different from nominal value (with a premium or a discount); are recorded based on the contractual value of the obligation, recognizing a deferred charge or credit for the difference between the face value of the security and the amount of cash received for it, which is amortized by the straight-line method over the term of the security.

- Securities which are offered at a discount and do not accrue interest (zero coupon); are valued at the time of issue, taking the amount of cash received as their basis. The difference between the nominal value and the aforementioned amount is considered as interest, and should be recognized in results based on the effective interest method.

Term deposits, placed through promissory notes with realizable returns at maturity (PRLV), deposits that can be withdrawn on pre-established days and bank deposit certificates (CEDES), are offered at nominal value. The promissory notes issued in the interbank market are offered at a discount.

Commissions paid derived from the loans received by the Financial Group are recorded in results of the year, under the account Commissions and fee expense, on the date they are generated.

Issuance costs, as well as the discount or premium on the debt offering, are recorded as a deferred charge or credit, as the case may be, and are recognized in results for the year as interest expense or income, if applicable, as and when accrued, taking into account the term of the underlying securities.

The offering premium or discount is presented as part of the underlying liability, whereas the deferred charge for the issue expenses are presented in the account of “Other assets”.

Technical reserves - - By express provision of the CNSF, all technical reserves must be audited annually by independent actuaries within the first 60 days following the close of the year. On February 28, 2020 and 2020, the independent actuaries issued their report, indicating that in their opinion, the reserves for unearned premiums, unfulfilled obligations and catastrophic risks as of December 31, 2020 and 2019, respectively, were determined in accordance with legal provisions and the rules, criteria and practices established and sanctioned by the Commission.

Technical reserves are created under the terms established by the LISF, and the provisions issued by the Commission. For purposes of valuing technical reserves, the Financial Group used the valuation methods and assumptions established in its technical notes, as well as the provisions contained in chapters 5.1, 5.2, 5.3, 5.4 and 5.5 of the CUSF

Provisions - Liability provisions are recognized when there is a present obligation (legal or assumed) as a result of a past event, it is probable the outflow of economic resources is required to settle the obligation and the obligation can be reasonably estimated.

Employee benefits - Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

i. Direct employee benefits - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing (PTU) payable, compensated absences, such as vacation and vacation premiums and incentives.

ii. Post-employment benefits - Liabilities for seniority premiums, pensions and severance for voluntary or involuntary termination benefits are recorded as accrued, and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates

iii. Employee benefits from termination - The benefits for termination of the employment relationship which do not generate assumed obligations are recorded at the time that: a) the entity no longer has any real alternative other than to fulfill the payments of such benefits or cannot withdraw an offer or b) the entity fulfills the conditions established for a restructuring.

iv. Statutory employee profit sharing (PTU) - PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

Bank and other loans - Direct short and long-term loans received from Mexican banks are recorded under this account, together with loans obtained from development banks. Interest is recognized in results when accrued.

Obligations arising from settlement of transactions - - Represent amounts payable for currency purchase-sale transactions in which no immediate settlement is agreed, (foreign exchange trading value date). They are recorded on the day they are negotiated and settled within 24, 48, 72 or 96 hours

Assets and liabilities in Investment Units (UDI) - Assets and liabilities denominated in UDI are presented in the consolidated balance sheets at peso value of the UDI at the date of issuance of the consolidated financial statements. As of December 31, 2020 and 2019, the value of the UDI (in Mexican pesos) was $6.605597 and $6.399018, respectively. The value of the UDI at the date of issuance of these consolidated financial statements is $6.731225.

Income taxes - - Income tax (ISR) is recorded in results of the year in which incurred. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a highly probability of recovery.

Financial Group's Management records a reserve for certain deferred tax assets to recognize only the deferred tax asset for which there is a high probability of recovery over a short-term period, considering for this treatment the amount generated by the tax credit for un-deducted allowances for loan losses expected to reverse in accordance with the financial and tax projections prepared by Management, therefore, the effect of such tax credit is not fully recorded. The deferred tax is recorded either to results or stockholders' equity, depending on the classification of the item originating the deferred tax.

Financial margin - The financial margin of the Financial Group is composed of the difference between total interest incomes less interest expense.

Interest income is composed of the yields generated by the loan portfolio, based on the terms established in the contracts executed with the borrowers, the negotiated interest rates, the application of interest collected in advance, and the premiums or interest on deposits in financial entities, bank loans, margin accounts, investments in securities, repurchase agreements and securities loans, as well as debt placement premiums, commissions charged on initial loan grants, and net equity instrument dividends.

Default interest related to overdue portfolio are recorded in results at the time of collection, with its accrual controlled in memorandum accounts. Yields on interest related to financial instruments are applied to results on an accrual basis.

Interest expense is composed of premiums, discounts and interest on deposits in the Financial Group, bank loans, repurchase agreements and securities loans, and subordinated obligations, as well as debt placement discount and issuance expenses. The amortization of costs and expenses incurred during the origination of the loan is also included under interest expenses.

Commissions collected and related costs and expenses - The commissions collected for the initial granting of the loans are recorded as deferred credit under "Deferred charges and income received in advance" in the consolidated balance sheets, which is amortized against results of the year under "Interest income", using the straight line method over the loan term, except for those related to revolving loans, which are amortized over a 12-month period.

The commissions collected for loan restructurings or renewals are added to any commissions recorded at loan origination, and are recognized as a deferred credit which is amortized in results using the straight line method over the new term of the loan.

Any commissions recognized after the initial granting of the loans are those incurred as part of the maintenance of such loans, or those collected on loans which were not placed and are recognized in results at the time they are incurred or earned.

Commissions collected for credit card annual fees, whether the first or subsequent renewal fees, are recognized as deferred revenues under "Deferred charges and income received in advance", and are amortized over a 12-month period against results under "Commission and fee income".

Incremental costs and expenses associated with the initial granting of the loan are recognized as a deferred charge, which are amortized to results as “Interest expense” during the same accounting period in which the revenues from collected commissions are recognized.

Any other costs or expenses, including those described above, including those related to promotion, advertising, potential customers, management of existing loans (follow-up, control, recoveries, etc.) and other secondary activities related to the establishment and monitoring of loan policies is recognized directly in results of the year as it is accrued and classified in accordance with the nature of the cost or expense.

Costs and expenses associated with the issuance of credit cards are recognized as a deferred charge, which is amortized in results over a 12-month period under the respective line item that corresponds to the nature of such cost or expense.

On the cancellation date of a credit line, the remaining unamortized balance of commission fees collected for credit lines cancelled before the end of the 12-month period are recognized directly in results for the year under the account of “Commissions and fee income”.

Gains/losses on financial assets and liabilities - This mainly refers to the result from valuation at fair value of securities, credit instruments to be received or delivered in repurchase agreements and derivatives trading transactions, as well as the result from the purchase and sale of securities, financial derivatives and foreign exchange.

Earnings per share - Basic earnings per share is calculated by dividing the net income attributable to controlling interest from continuing operations by the weighted average number of shares outstanding in each period, thus giving a retroactive effect to shares issued due to the capitalization of additional paid-in capital or retained earnings.

Information by segments - The Financial Group has identified the operating segments for its different activities by considering each one as a component of its internal structure with specific yield, risks and opportunities. These components are reviewed regularly in order to make decision about allocating monetary resources to the segments and assessing their performance.

Consolidated statement of cash flows - The consolidated statement of cash flows presents the Financial Group’s capacity to generate cash and cash equivalents (Funds available), as well as the way in which the Financial Group uses such cash flows to meet its needs. The preparation of the consolidated statement of cash flows is under the indirect method, based on the net result of the period, in conformity with that established in Criterion D-4, “Statement of Cash Flows”, issued by the Commission.

The cash flows together with the rest of the financial statements, provides information that allows:

- Analysis of changes in the assets and liabilities of the Financial Group and in its financial structure.
- Analysis of the amounts and dates of collection and payments to adapt to circumstances and the opportunities for generate and/or apply cash and cash equivalents.

Memorandum accounts - Memorandum accounts are used to record assets or commitments which do not form part of the Financial Group’s consolidated balance sheets because the respective rights are not acquired or such commitments are not recognized as a liability until such eventualities materialize, respectively.

– *Customer banks and securities held in custody:*

Customer’s cash and securities held in custody, guaranteed and managed by Financial Group are recognized at their fair value in memorandum accounts and represent the maximum amount for which the Financial Group is liable as regards its customers based on future events.

a. Cash is deposited with credit institutions in checking accounts other than those registered in the name of the Financial Group, the checking accounts are destined only to manage the cash of the costumers of the Financial Group.

b. Securities held in custody and administration are deposited in S.D. Indeval, S.A. de C.V. (S.D. Indeval).

The Financial Group records transactions performed in customers' names when each transaction is agreed, regardless of its settlement date.

– *Contingent assets and liabilities:*

This heading represents considers the amount of the economic sanctions emitted by the Commission or any another administrative or judicial authority for as long as does not comply with the payment obligation of such sanctions or has not interposed some resource of appeal.

– *Assets in trust or mandate (unaudited):*

Different management trusts are kept to separate accounts for assets received. Mandates include the declared value of the assets subject to mandate contracts entered into by the Financial Group. In the mandate is recorded the declared value of the assets established by the mandate contracts celebrated by the Financial Group.

– *Collateral received by the Financial Group*

The balance is composed of all collateral received in repurchase transactions in which the Financial Group is the buying party.

– *Collateral received and sold or pledged as guarantee by the Financial Group:*

The balance is composed of all collateral received in repurchase agreements in which the Financial Group acts as the purchasing party, which in turn was sold by the Financial Group when it acted as the selling party.

– *Custody and management assets (unaudited):*

This account is used to record the movement of assets and securities of third parties which are received in custody, or to be administered by the Financial Group.

– *Loan commitments:*

This item represents the amount of letters of credit granted by the Financial Group which are considered irrevocable commercial loans. It includes the unused lines granted to clients. The items recorded in this account are subject to classification.

– *Uncollected interest earned on non-performing loan portfolio:*

Represents the uncollected accrued interests of non-performing loan portfolio, as well as the uncollected accrued financial revenues.

– *Other memorandum accounts (unaudited):*

This account is used to record the control maturity of the portfolio, control of maturity of liabilities, the classification of the portfolio by degree of risk, inflationary component and control of notional derivatives.

4. Consolidation of subsidiaries

As of December 31, the Financial Group's equity percentage is as follows:

	Shareholding %	
	2020	2019
Asesoría Especializada Inburnet, S.A. de C.V.	99.9993%	99.9993%
Banco Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa	99.9996%	99.9996%
Inbursa Seguros de Caución y Fianzas, S.A., Grupo Financiero Inbursa	90.5767%	90.5767%
Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa	99.9956%	99.9956%
Pensiones Inbursa, S.A., Grupo Financiero Inbursa	99.9999%	99.9999%
Operadora Inbursa de Fondos de Inversión, S.A. de C.V.	99.9985%	99.9985%
Servicios Inburnet, S.A. de C.V. (antes Out Sourcing Inburnet, S.A. de C.V.	99.9999%	99.9999%
Seguros Inbursa, S.A., Grupo Financiero Inbursa	99.9999%	99.9999%

5. Foreign currency position

As of December 31, the significant foreign currency position in US dollars is comprised as follows:

	2020	2019
Millions of US dollars		
Assets	6,031	7,387
Liabilities	(5,356)	(6,508)
Asset (liability) position, net	675	879
Exchange rate (Mexican pesos)	$ 19.9087	$ 18.8642
Total Mexican pesos	$ 13,440	$ 16,579

As of December 31, 2020 and 2019, the Fix (48-hour) exchange rate submitted by the Central Bank and used was $19.9087 and $18.8642 per US dollar, respectively.

On March 22, 2021, the foreign currency position (unaudited), is similar to the position as of the end of 2020, the fix foreign exchange rate at this date is $20.5788 per US dollar.

The Central Bank sets limits for foreign currency liabilities and the liquidity ratio that the Financial Group obtains directly or through its foreign agencies, branches or affiliates, which must be determined daily for such liabilities to enable the Financial Group to structure their contingency plans and promote longer term funding within a reasonable time frame.

The Financial Group performs a large number of foreign currency transactions, mainly in US dollar and Euro, among others. Given that the parities of their currencies against the Mexican peso are linked to the US dollar, the overall foreign currency position is consolidated into US dollars at each month-end closing.

6. Funds available

As of December 31, funds available were as follows:

	2020			2019
	Mexican pesos	Foreign currency	Total	Total
Cash	$ 1,578	$ 60	$ 1,638	$ 1,975
Deposits in national and international banks	289	1,781	2,070	7,437
Other funds available	24	4	28	31
Deposits in Central Bank (a)	-	287	287	290
Foreign currency sale from 24 to 96 hours (b)	-	(5,057)	(5,057)	(1,544)
	1,891	(2,925)	(1,034)	8,189
Restricted funds available:				
Deposits in Central Bank (a)	11,216	-	11,216	12,753
Foreign currency purchase from 24 to 96 hours (b)	-	6,332	6,332	8,691
	11,216	6,332	17,548	21,444
	$ 13,107	$ 3,407	$ 16,514	$ 29,633

a. Deposits in Central Bank- - As of December 31, deposits in Central Bank were as follows:

	2020	2019
Special accounts (1)		
Regulatory monetary deposits (2)	$ 11,211	$ 12,744
Accrued interest	5	9
Current accounts:		
Deposits in US dollars	287	290
	$ 11,503	$ 13,043

(1) The Central Bank requires credit institutions to constitute regulatory monetary deposits, which are established according to demand deposits in Mexican pesos. The term of these regulatory monetary deposits is indefinite, and accrued interest on these deposits are based on the Weighted Average Funding Bank Rate.

(2) (2) As of December 31, 2020 and 2019, the monetary regulation deposit of the Financial Group was $6,385 and $8,623 respectively. Additionally, as of December 31, 2019, the Financial Group held available cash of $4,121 to participate in auctions.

b. ***Foreign currency purchase-sale transactions 24/96 hours*** - This item refers to currency purchase-sale transactions to be settled in 24 to 96 hours and which are considered as restricted until their settlement date. As of December 31, 2020 and 2019, foreign currency transactions were as follows:

	2020				
	Purchase (sale) of foreign currency		Exchange average rate value		Debit settlement account (creditor) in Mexican pesos
Purchase of american dollars	318	$	19.9051	$	6,331
Sale of american dollars	(254)		19.8610		(5,045)
	64			$	1,286
Exchange rate at the end of the period (Mexican pesos)	$ 19.9087				
Net position in Mexican pesos	$ 1,275				

	2019				
	Purchase (sale) of foreign currency		Exchange average rate value		Debit settlement account (creditor) in Mexican pesos
Purchase of american dollars	461	$	18.8628	$	(8,690)
Sale of american dollars	(82)		18.8916		1,546
	379			$	(7,144)
Exchange rate at the end of the period (Mexican pesos)	$ 18.8642				
Net position in Mexican pesos	$ 7,147				

7. Margin accounts

As of December 31, 2020 and 2019, the margin accounts for futures were as follows:

		2020		2019
Mexican Derivatives (MexDer)	$	2,480	$	2,271
Chicago Mercantile Exchange (CME)		91		165
	$	2,571	$	2,436

For the years ended December 31, 2020 and 2019, these deposits recorded an interest income of $7 and $39, respectively.

8. Investment in securities

As of December 31, 2020 and 2019 the investments in securities were as follows:

a. Trading securities

	2020				2019
	Acquisition cost	Interest accrued	Valuation increase (decrease)	Total	Total
Corporate debt	$ 2,192	$ 26	$ 23	$ 2,241	$ 3,259
Marketable certificates	13,059	199	2,770	16,028	17,790
Shares	4,948	-	10,063	15,011	19,014
Treasury Bills (CETES)	55,400	393	2	55,795	47,433
Bank promissory note	-	-	-	-	124
Certificates of deposits	4,232	1	-	4,233	4,012
Eurobonds	21	1	-	22	22
Euronotes	836	13	330	1,179	1,034
Promissory note with yield payable at maturity (PRLV)	12,880	17	-	12,897	4,281
Banking debt	31,314	86	9	31,409	21,702
BREMS	5,304	4	-	5,308	5,309
Savings Protection Bonds (BPAT´s)	1,021	-	-	1,021	847
Government bonds	434	17	46	497	3,569
Foreign values	900	100	(596)	404	-
Others	19	-	4	23	2,020
	$ 132,560	$ 857	$ 12,651	$ 146,068	$ 130,416

As of December 31, 2020 and 2019, the approximate maturity period of debt instruments classified as trading securities less than three years were 58.82% and 55.41% respectively.

Restricted securities - As of December 31, 2020 and 2019, the restricted securities were as follows:

	2019
	Total
Shares NYT	$ 4,020

As mentioned in Note 1, on December 1, 2020, the contract came to maturity by delivering 7,950,000 Class A common shares of the New York Times and receiving a total amount of $2,360 as consideration.

As of December 31, the main ratings granted to the debt securities classified as trading securities by the Bank are as follows (unaudited):

Rating (mex)	% balance of trading securities	
	2020	2019
A	2.35%	0.02%
AA	0.56%	1.32%
AA+	1.37%	10.99%
AAA	52.41%	27.85%
B-	0.04%	0.04%
B+	0.23%	0.73%
BB	0.07%	0.08%
BB-	0.71%	0.51%
BB+	-	3.95%
BBB	1.84%	2.07%
BBB-	-	0.65%
F1+	13.23%	22.75%
Others	27.19%	29.04%
	100.00%	100.00%

The capital requirement for the capital market positions as of December 31, 2020 of the Financial Group was $4,662, the issuer risk requirement of $235 and the requirement for participation in asset securitization schemes $49 (unaudited).

The issuer risk requirement in SOFOM Inbursa as of December 31, 2020 was $163.

The types of inherent risks of the trading securities are as follows (unaudited information).

2020	
Type value	Treatment
Currency: MXP	
Corporate debt	Market and Credit Risk requirement
Treasury Bills (CETES)	Market Risk requirement
Banking debt	Market and Credit Risk requirement
BPA182	Market Risk requirement
Bondesd	Market Risk requirement
Government bonds	Market Risk requirement
Brems	Market Risk requirement
Currency: UDI	
Marketable certificates	Market and Credit Risk requirement
Corporate debt	Market and Credit Risk requirement
Udibonos	Market Risk requirement
Currency: USD	
Corporate debt	Market and Credit Risk requirement
Currency: EUR	
Corporate debt	Market and Credit Risk requirement
Currency: GBP	
Corporate debt	Market and Credit Risk requirement
Currency: MXP	
Shares	Market Risk requirement
Currency: USD	
Shares	Market Risk requirement
Currency: MXP	
Fibers	Market Risk requirement

b. ***Securities available for sale*** - As of December 31, the investments in securities available for sale, corresponding to corporate debt, are integrated as follows:

	2020				2019
	Acquisition cost	Accrued interest	Valuation increase (decrease)	Total	Total
Marketable certificates	$ 5,306	$ 100	$ 1,494	$ 6,900	$ 5,515
Shares	46	-	50	96	106
Other	-	-	-	-	1,153
Banking debt	273	1	-	274	29
Eurobonds	4,355	98	(74)	4,379	4,351
Total of available for sale securities	$ 9,980	$ 199	$ 1,470	$ 11,649	$ 11,154

c. ***Securities held to maturity*** **-** As of December 31, 2020 and 2019 the securities held to maturity were as follows:

	2020				2019
	Acquisition cost	Accrued interest	Gain	Total	Total
Udibonos	$ 303	$ 1	$ 40	$ 344	$ 333
	$ 303	$ 1	$ 40	$ 344	$ 333

As of December 31, 2020 the positions in debt securities, other than government securities, issued by an issuer that represent more than 5% of the net capital in integrated as follows:

Capital issuer	Average (days)	Average rate	Fair Value
BANOBRA	4	4.40%	$ 13,908
BREMSR	1,757	4.25%	5,308
CHIHCB	6,437	5.95%	5,808

As of December 31, 2019, the Bank did not hold positions in debt securities issued by an issuer representing more than 5% of the Bank net capital (other than government securities).

9. Repurchase agreements

As of December 31, 2020 and 2019, the Financial Group holds repurchase agreements as follows

Acting the Financial Group as a reporter:

	2020		
	Repurchase agreements	Collateral received and sold or pledged as guarantee	Repurchase agreements, net
Federal Government Development Bonds (BONDES)	$ 17,372	$ 1,223	$ 16,149
IPAB bonds	13,602	-	13,602
Marketable certificates	11,985	-	11,985
	$ 42,959	$ 1,223	$ 41,736

	2019		
	Repurchase agreements	Collateral received and sold or pledged as guarantee	Repurchase agreements, net
Federal Government Development Bonds (BONDES)	$ 32,641	$ 28,006	$ 4,635
IPAB bonds	23,643	18,234	5,409
	$ 56,284	$ 46,240	$ 10,044

As of December 31, 2020 and 2019, the average period for the repurchase agreements is for 4 and 3 days, respectively.

Wherein the Financial Group acts as reporter:

	2020	2019
Marketable certificates	$ 3,775	$ 1,524
Settlement promissory notes at maturity	11,013	-
	$ 14,788	$ 1,524

As of December 31, 2020 and 2019, the average period for the repurchase agreements is of 5 and 3 days respectively

Premiums earned and paid - For the years ended December 31, 2020 and 2019, the total amount of premiums earned and paid for repurchase agreements were as follows (Note 35):

	2020	2019
Premiums earned (purchaser)	$ 4,973	$ 3,888
Premiums paid (seller)	3,313	2,906
	$ 1,660	$ 982

Collaterals received by the Financial Group - As of December 31, the collateral received by the Financial Group concerning sale and repurchase agreements, were comprised as follows:

	2020	2019
Federal Government Development Bonds (BONDES)	$ 48,859	$ 32,632
IPAB bonds	13,587	23,553
Marketable securities	13,038	3,024
Amount recognized in memorandum accounts	$ 75,484	$ 59,209

10. Operations with derivative instruments

As of December 31, the position for transactions with derivative financial instruments is as follows:

	2020			
	Recorded amount		Net Balance	
	Asset	Liability	Asset	Liability
Trading derivatives:				
Futures	$ 1,119	$ 1,120	$ -	$ 1
Forward contracts	34,033	34,414	527	908
Swaps:				
Currency swaps	49,291	54,119	89	4,903
Rates - US dollars	4,246	4,092	1,670	1,516
Rates - Mexican pesos	34,824	33,925	6,439	5,540
Total trading derivatives	123,513	127,670	8,725	12,868
Hedging derivatives				
Swaps:				
Currency swaps	23,066	26,714	33	3,682
Rates - Mexican pesos	7,889	10,255	-	2,366
Total hedging derivatives	30,955	36,969	33	6,048
	$ 154,468	$ 164,639	$ 8,758	$ 18,916

	2019			
	Recorded amount		Net Balance	
	Asset	Liability	Asset	Liability
Trading derivatives:				
Futures	$ 8,359	$ 8,557	$ -	$ 198
Forward contracts	20,029	23,691	274	3,936
Swaps:				
Currency swaps	44,233	44,938	652	1,357
Rates - US dollars	6,643	6,368	1,095	820
Rates - Mexican pesos	45,422	44,916	2,766	2,260
Total trading derivatives	124,686	128,470	4,787	8,571
Hedging derivatives				
Swaps:				
Currency swaps	26,415	30,223	850	4,658
Rates - Mexican pesos	10,815	10,796	408	389
Total hedging derivatives	37,230	41,019	1,258	5,047
	$ 161,916	$ 169,489	$ 6,045	$ 13,618

The Financial Group, when entering into transactions with derivative financial instruments, carried out in markets or non-recognized or exchange "Over the Counter" (OTC), agrees to deliver and/or receive guarantees called "collaterals" in order to cover any exposure to market and credit risk of such transactions. These collaterals are contractually agreed with each counterparty with which the Company trades.

Currently, the collaterals assigned to operations with Mexican and foreign financial entities are comprised mainly of cash deposits, that is, there are no securities delivered as collateral for derivative transactions.

Fair value hedging -

Following is an integration of the hedge transactions as of December 31, 2020 and 2019:

Hedge position	Designated financial instrument	Hedge's maturity date	Notional amount
Cash flow hedges-			
Marketable certificates - interest rate risk	Swaps IRS	Apr. 23, 2026	2,500
Marketable certificates - interest rate risk	Swaps IRS	Aug. 10, 2034	8,161
Marketable certificates - interest rate risk	Swaps IRS	Apr. 3, 2024	5,000
Demand deposits	Swaps IRS	Jun. 21, 2024	1,500
Demand deposits	Swaps IRS	Oct. 16, 2035	11,800
Demand deposits	Swaps CCS	Oct. 28, 2022	7,100
Demand deposits	Swaps CCS	Aug. 10, 2021	2,000
Marketable certificates - interest rate risk (loan)	Swaps IRS	Feb. 14, 2023	7,000
Commercial loan portfolio-exchange rate risk	Swaps CCS	Apr. 27, 2028	5,069
Commercial loan portfolio-exchange rate risk	Swaps CCS	Jun. 25, 2025	5,289
Commercial loan portfolio-exchange rate risk	Swaps CCS	Dec. 15, 2023	2,881
Commercial loan portfolio-exchange rate risk	Swaps CCS	Dec. 14, 2023	2,034
Commercial loan portfolio-exchange rate risk	Swaps CCS	Sept. 21,2023	6,746
Commercial loan portfolio-exchange rate risk	Swaps CCS	Feb. 1,2022	955
Total cash flow hedges			$ 68,035

Hedge position	Designated financial instrument	Hedge's maturity date	Notional amount
Fair value hedging-			
Commercial loan portfolio-interest rate risk	Swaps IRS	Apr. 10, 2026	$ 481
Total fair value hedging			481
Cash flow hedges-			
Marketable certificates - interest rate risk	Swaps IRS	Apr. 13, 2033	5,000
Marketable certificates - interest rate risk	Swaps IRS	Aug. 10, 2034	9,848
Marketable certificates - interest rate risk	Swaps IRS	Apr. 3, 2024	5,000
Marketable certificates - interest rate risk (loan)	Swaps IRS	Jun. 29, 2034	15,700
Commercial loan portfolio-exchange rate risk	Swaps CCS	Apr. 4, 2033	8,423
Commercial loan portfolio-exchange rate risk	Swaps CCS	Jun. 25, 2025	5,289
Commercial loan portfolio-exchange rate risk	Swaps CCS	Dec. 15, 2023	2,881
Commercial loan portfolio-exchange rate risk	Swaps CCS	Dec. 14, 2023	2,034
Commercial loan portfolio-exchange rate risk	Swaps CCS	Sept. 21,2023	6,746
Commercial loan portfolio-exchange rate risk	Swaps CCS	Feb. 1,2022	955
Total cash flow hedges			61,876
			$ 62,357

2020			
Hedge's fair value	Profit or loss recognized in the year	Profit or loss recognized in comprehensive income	Ineffectiveness generated in the year
(38)	-	(227)	-
(905)	-	(810)	-
(385)	-	(260)	-
(134)	-	(134)	-
(268)	-	(268)	-
(297)	-	(297)	-
(22)	-	(22)	-
(318)	-	(360)	-
(3,311)	-	1,348	-
13	-	(369)	1
(107)	-	(198)	-
17	-	(126)	-
(220)	-	(439)	-
(40)	-	(57)	-
$ (6,015)	$ -	$ (2,219)	$ 1

2019			
Hedge's fair value	Profit or loss recognized in the year	Profit or loss recognized in comprehensive income	Ineffectiveness generated in the year
$ 7	$ (34)	$ -	$ -
7	(34)	-	-
191	-	(403)	-
(96)	-	(1,255)	-
(126)	-	(369)	-
42	-	(1,332)	-
(4,658)	-	800	-
381	-	295	(7)
91	-	141	-
143	-	143	-
219	-	316	-
17	-	17	-
(3,796)	-	(1,647)	(7)
$ 3,789	$ (34)	$ (1,647)	$ (7)

In all cases, the derivative instrument seeks to compensate losses in the market value of the hedged position caused by movements in interest rates. In this way, Management provides stability in the result of these positions and limits the risk of abrupt movements in market rates. As result, if fluctuations in exchange rates can cause a loss, the swap covers the amount lost; and vice versa, when additional are generated in the primary position, these are delivered in the hedging swap and are recognized accordingly (with impact on equity and results).

As of December 31, 2020 and 2019, the effectiveness tests of the hedges designed by the Financial Group are in the range of 80% and 125% required by the Commission's Accounting Criteria.

Collaterals delivered and received in derivative transactions -

The guarantees and/or collateral received and delivered for the derivative financing transactions as of December 31, 2020 and 2019, are comprised as follows:

Delivered

Account	2020	2019
Other receivables, net		
Margin accounts	$ 2,571	$ 2,436
Collateral and / or guarantees delivered	15,131	5,968
Total	$ 17,702	$ 8,404

Received

Account	2020	2019
Collateral and / or guarantees received in cash	$ 22	$ 268

Management of derivative financial instruments usage policies

The policies of the Financial Group allow the use of derivatives for hedging and/or trading purposes. The main objectives of these products are covering risks and maximizing profitability.

The instruments used are:

- Forwards contracts for trading purposes.
- Futures contracts for trading purposes.
- Trading and hedging swaps.
- Currency swaps.
- Interest rates swaps.
- Options for trading purposes.
- Mexican peso, currency and UDI
- Nominal interest, real or surcharges rates and debt securities.

Additionally, the Financial Group is authorized to operate credit derivatives in over the counter markets for credit default (Credit Default Swap), Total Return (Total Return Swap) and Securities Credit Linkage (Credit Link Note).

According to the portfolios, implemented strategies can be hedging or negotiation.

Trading markets:

- Listed (Recognized Markets)
- Over the Counter (OTC)

Eligible counterparties: national and foreign with internal authorizations.

The appointment of calculation agents is established in the legal documentation executed with the counterparties. The prices published by price suppliers are used to value derivative instruments in organized markets and are based on the prices generated in derivative markets. OTC derivatives are valued using prices calculated by the derivatives system, using the risk factor information published by the price supplier.

The main terms or conditions of the contracts are based on those of the International Swaps and Derivatives Association, Inc. (ISDA) or the local outline agreement, which is based on the guidelines provided by the ISDA. The specific policies regarding margins, collateral, and lines of credit are detailed in the Derivatives Manual and any changes thereto must be approved by the Risk Committee.

Authorization levels and processes

Pursuant to internal regulations, all products or services sold by the Financial Group are approved by the authorized departments in accordance with the approved development of new products procedure.

All of the departments involved in the operation of the product or service, depending on their nature, as well as those responsible for their accounting, legal documentation, tax treatment and risk assessment, participate in the Committee. The authorizations of the Committees must be unanimous as there are no authorizations granted by a majority of members. In addition to the Committees' approval, certain products require the authorization of local authorities; therefore, the approvals of the Committees are conditional upon the authorization required by competent authorities, as applicable.

Finally, all politics and procedures of new products are presented to the Internal Audit Committee and in other cases to the Board of Directors.

Independent reviews

The Financial Group is subject to the supervision and oversight of the Commission and Central Bank, which are exercised through follow-up processes, inspection visits, information and documentation requirements and submission of reports.

Similarly, internal auditors perform periodic reviews.

Generic description of valuation techniques

Derivative financial instruments are valued at their fair value according to the accounting standards detailed in Criterion B-5, "Derivative financial Instruments and Hedge Transactions", issued by the Commission.

Valuation methodology

1. For hedging purposes:

   The Financial Group suspends hedge accounting when the derivative has matured, has been sold, cancelled or exercised, when it does not reach a sufficiently high effectiveness level to offset the changes in the fair value or cash flows of the hedged item, or when the hedging designation is cancelled.

   It must be shown that the hedge effectively complies with the objective for which the derivatives were contracted. This effectiveness requirement assumes that the hedge must comply with a maximum deviation range of 80% to 125% in regard to the initial objective.

   The effectiveness of the hedges must be proven by applying two tests:
   :

   a. Prospective test: Shows that in the future the hedge will remain within the maximum range

   b. Retrospective test: reviews whether the hedge has remained within the maximum range from its establishment to date.

As of December 31, 2020 and 2019, fair value and cash flow hedges are prospectively and retrospectively efficient and are located within the maximum permitted deviation range.

2. Reference variables

The most relevant reference variables are:

- Exchange rates
- Interest rates

3. Valuation frequency

The frequency which the derivatives are valued is in accordance with the Accounting Criteria established by the Commission.

a. ***Futures*** - As of December 31, 2020 and 2019, net amount of contracts of futures operations contracted with CME and MexDer were as follows:

	2020			2019		
	Number of contracts			Number of contracts		
	CME	MexDer	Maturity	CME	MexDer	Maturity
Purchase	-	-	-	-	34,300	January 2020
Sale	2,262	-	Marzo 2021	3,880	-	March 2020

As of December 31, 2020, futures positions in CME refer to notional value of $1,131 and no positions are held with MexDer. As of December 31, 2019, the net position for futures contracted with CME and MexDer refer to notional value of $1,940 and $6,639, respectively.

Impairment of financial derivatives - As of December 31, 2020 and 2019, there is no indication of impairment in credit risk (counterparty) that requires modifying the carrying amount of financial assets from the rights established in derivative financial instruments.

Transactions with financial derivative instruments imply liquidity, market, credit and legal risks. In order to reduce risk exposure, the Financial Group has established specific risk management policies and procedures (Note 41).

Formal hedge documentation - Once cash flow and fair value hedges are structured, the Financial Group prepares an individual file for each instrument containing the following documentation:

– The strategy and objective of the Financial Group's risk management, as well as the justification to carry out the hedging operation.
– The specific risk or risks to be hedged.
– Hedge structure identifying the derivative financial instruments contracted for hedging purposes and the item generating the hedged risk.
– Definition of the elements composing the hedge, its objective and a reference to the effectiveness valuation method.
– Contracts for the hedged item and hedging instrument, as well as confirmation from the counterparty.
– Periodic hedge effectiveness tests at the prospective level regarding its estimated future evolution and at the retrospective level, concerning its past behavior. These tests are applied at least at the end of each quarter, according to the valuation method defined when creating the hedge files.

11. Valuation adjustment for hedged financial assets

The Financial Group determines the valuation adjustment from the hedging of financial assets by individual and portfolio loans from fair value hedges for interest rate risks.

Positions are defined by segmenting the loan portfolio according to the inherent risk from which they are hedged, the portfolio is classified into three segments: national currency portfolio with fixed interest rate, foreign currency portfolio with fixed interest rate (US dollars) and foreign currency loan portfolio with variable interest rate. From each of the portfolios, the loans to be covered are designated and grouped into portfolios. Consumer loans, housing loans and commercial loans are included within these groups.

As of December 2020 and 2019, the valuation effect regarding the hedged risk by type of loan was $0 and $481, respectively, which is detailed as follows:

	2020			
	Valuation adjustment balance as of Dec 31, 2019	Result from valuation	Valuation adjustment amortization (1)	Valuation adjustment balances as of Dec 31, 2020
Loan portfolio with fixed interest rate - Mexican pesos	$ 12	$ 8	$ (6)	$ 14
Loan portfolio inefficient credits	274	-	(232)	42
	$ 286	$ 8	$ (238)	$ 56

	2019			
	Saldo ajuste de valuación al 31-dic-18	Result from valuation	Valuation adjustment amortization (1)	Valuation adjustment balances as of Dec 31, 2019
Portafolio de créditos en tasa fija pesos	$ (14)	$ 33	$ (7)	$ 12
Portafolio de créditos en tasa fija dólares	66	-	(66)	-
Portafolio de créditos en tasa variable dólares	(6)	-	6	-
Portafolio de créditos ineficientes	277	-	(3)	274
	$ 323	$ 33	$ (70)	$ 286

(1) For those cases in which the fair value hedges on primary position is revoked, the valuation effect regarding the hedged risk is amortized over the remaining period of the loan.

As of December 31, 2020 and 2019, changes in the fair value of derivatives were recognized as financial margin within the consolidated statements of income, and are comprised as follows:

	2020	2019
Results from changes in value of hedging instruments (Note 34a)	$ (7)	$ (34)
Amortization from hedge valuation of primary position (Note 34a)	(230)	(43)
	$ (237)	$ (77)

12. Loan portfolio

a. ***Detail of performing and non-performing loan portfolio by type of loan*** - - As of December 31, 2020 and 2019, the loan portfolio was

Concept	Performing loan Principal	Performing loan Interest	Performing loan Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ 118,785	$ 1,125	$ 119,910
Loans to financial entities	1,024	2	1,026
Consumer loans	32,539	561	33,100
Housing loans-	4,766	23	4,789
Middle and residential	4	-	4
Social interest	157,118	1,711	158,829
US dollars translated to Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	47,730	350	48,080
Loans to government entities	12,178	494	12,672
	59,908	844	60,752
UDI translated to Mexican pesos			
Commercial loans-	3,794	15	3,809
Commercial or corporate activity	1	-	1
Consumer loans	3,795	15	3,810
Total	$ 220,821	$ 2,570	$ 223,391

Concept	Performing loan Principal	Performing loan Interest	Performing loan Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ 100,671	$ 637	$ 101,308
Loans to financial entities	4,663	12	4,675
Loans to government entities	16,000	83	16,083
Consumer loans	43,785	569	44,354
Housing loans			
Middle and residential	4,974	26	5,000
Social interest	7	-	7
	170,100	1,327	171,427
US dollars translated to Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	55,104	1,089	56,193
Loans to financial entities	1,198	2	1,200
Loans to government entities	10,587	433	11,020
	66,889	1,524	68,413
UDI translated to Mexican pesos			
Commercial loans-			
Commercial or corporate activity	3,699	14	3,713
Consumer loans	1	-	1
	3,700	14	3,714
Total	$ 240,689	$ 2,865	$ 243,554

as follows:

2020			
	Non-performing loan		
	Principal	Interest	Total
	$ 1,652	$ 34	$ 1,686
	-	-	-
	2,248	99	2,347
	904	13	917
	1	-	1
	4,805	146	4,951
	98	3	101
	-	-	-
	98	3	101
	-	-	-
	-	-	-
	-	-	-
	$ 4,903	$ 149	$ 5,052

2019			
	Non-performing loan		
	Principal	Interest	Total
	$ 1,521	$ 62	$ 1,583
	-	-	-
	-	-	-
	2,613	93	2,706
	879	13	892
	1	-	1
	5,014	168	5,182
	128	3	131
	-	-	-
	-	-	-
	128	3	131
	-	-	-
	-	-	-
	-	-	-
	$ 5,142	$ 171	$ 5,313

b. ***Loans granted to related parties:*** - The LIC establishes limits for loans granted to related parties. As per regulations, the total sum of loans with unconditional and irrevocable guarantees granted to related parties cannot exceed 35% of the basic net capital. As of December 31, 2020 and 2019, the loan amounts granted to related parties in accordance with Article 73 of the LIC are $14,804 and $17,471, respectively, which were approved by the Board of Directors.

Related parties	2020	2019
Telefonos de México	$ 4,101	$ -
Grupo IDESA	2,763	3,273
Cementos Portland Valderrivas	1,715	1,491
Inmuebles Carso	1,503	-
Etileno XXI	883	884
Capital Inbursa	868	-
Wimob	814	-
Excellence Sea & Land Logistics	726	350
Minera Frisco	422	9,231
Caixia	397	425
Star Medica	295	-
91 Old Corner Road	69	65
Tabasco Oil Company Jasame	57	43
Grupo Piscimex	54	61
FCC Construcción América	37	127
Grupo Sanborns	24	23
Promotora Inbursa	20	20
Argos Comunicación	20	47
Fundacion Telmex	16	-
Microfinanciera Crece	8	8
CE G Sanborns	7	7
Parque Acuático Nuevo Veracruz	5	131
Janel	-	775
Galas de México	-	221
Artes Gráficas Unidas	-	117
Jkk Pack	-	76
CIII	-	55
Sears Operadora México	-	29
Aspel de México	-	10
Productos Dorel	-	2
Total	14,804	17,471
Basic Capital (September 2020 and 2019) (unaudited)	69,946	69,219
Basic Capital at 35%	24,481	24,227
Surplus	$ 9,677	$ 6,756

c. ***Limits for operations*** - The Commission and the LIC establish limits which financial credit institutions must take into consideration when granting loans.

\- ***Risk concentration analysis - Policy and methods used to identify distressed commercial loans*** - The loans granted to the borrower or business groups, they represent a common risk, are considered as one, must comply with the maximum limit that results from applying the following table:

Limit as a percentage of the basic capital	Capitalization level of financings
12%	More than 8% and up to 9%
15%	More than 9% and up to 10%
25%	More than 10% and up to 12%
30%	More than 12 and up to 15%
12%	More than 15%

Loans granted with unconditional and irrevocable guarantee to institutions or financial foreign entities that are rated in the lowest risk classification may exceed the maximum limit established for that type of entity. However, it cannot represent more than 100% of the Financial Group's basic capital. As of December, 2020 and 2019, the subsidiary Banco Inbursa´s loan portfolio was within the described limits.

- **Portfolio by economic sector**

As of December 31, the percentages of risk concentration by economic sector were as follows:

	2020		2019	
	Amount	Percentage of concentration	Amount	Percentage of concentration
Private (business and personal)	$ 173,585	76%	$ 162,928	66%
Consumer	35,448	16%	47,061	19%
Loans to government entities	12,673	6%	27,103	11%
Finance	1,026	-	5,875	2%
Housing	5,711	2%	5,900	2%
	$ 228,443	100%	$ 248,867	100%

- **Por región**

Al 31 de diciembre de 2020 y 2019, el análisis de concentración de la cartera de crédito por región, en forma agregada, es la siguiente:

	2020		2019	
Region	Amount	Percentage of concentration	Amount	Percentage of concentration
Center	$ 174,972	77%	$ 185,559	74%
North	20,904	9%	28,996	12%
South	7,806	3%	9,957	4%
Foreign countries and others	24,761	11%	24,355	10%
	$ 228,443	100%	$ 248,867	100%

- **Other financing limits**

The sum of loans granted to the Financial Groups three largest borrowers, loans granted exclusively to other banks and loans taken out by government agencies and state-owned entities, including public trust funds, may not exceed 100% of the bank subsidiary.

As of December 31, 2020 and 2019, the maximum balance of loans granted to the three major clients were $35,419 and $28,913, respectively. This represented 50.64% and 41.77% of Banco Inbursa's basic capital of the previous quarter, calculated at the end of September 2020 and 2019, respectively.

As of December 31, 2020 and 2019, Banco Inbursa had granted six loans, in both years, that exceed 10% of the basic capital of the previous quarter. As of December 31, 2020, this funding was $72,159 and represented 103.16% of basic capital of the previous quarter, while at the end of 2019 was $83,137, and represented 120.11% of basic capital of the previous quarter.

d. ***Policy and methods used to identify distressed commercial loans*** - For disclosure proposes in the consolidated financial statements, the Financial Group considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as in the process of reviewing the loan, there is significant possibility that no can be recovered in full, both its component of principal and interest in accordance with the terms and conditions originally agreed. Both the performing portfolio as non-performing are likely to be identified as distressed portfolio.

Distressed loans include loans that carry risk ratings of D and E. As of December 31, 2020 and 2019, the distressed portfolio was as follows:

	2020		
	Performing	Non-performing	Total
Commercial loans	$ 4,389	$ 1,780	$ 6,169
Consumer loans	1,848	2,334	4,182
Housing loans	91	711	802
Total	$ 6,328	$ 4,825	$ 11,153

	2019		
	Performing	Non-performing	Total
Commercial loans	$ 1,102	$ 1,712	$ 2,814
Consumer loans	2,568	2,715	5,283
Housing loans	56	752	808
Total	$ 3,726	$ 5,179	$ 8,905

e. ***Restructured loan portfolio***

- **Balances** - As of December 31, 2020 and 2019, restructured loan portfolio balances were as follows:

	2020		
	Performing	Non-performing	Total
Commercial loans	$ 17,124	$ 583	$ 17,707
Consumer loans	2	3	5
Housing loans	1	3	4
Total	$ 17,127	$ 589	$ 17,716

	2019		
	Performing	Non-performing	Total
Commercial loans	$ 15,032	$ 445	$ 15,477
Consumer loans	1	3	4
Housing loans	2	6	8
Total	$ 15,035	$ 454	$ 15,489

- **Restructured or renewed loans**

	2020	2019
Non-performing loans that were restructured and renewed	$ 258	$ 1,294
Restructured or renewed credits maintained in performing loan portfolio	8,926	163
	$ 9,184	$ 1,457

- **Additional guarantees for restructured loans**

As of December 31, 2020 and 2019, additional guarantees received for restructured loans were as follows:

2020		
Type of loan	Balance	Nature of the guarantee
Loans granted in Mexican pesos		
Commercial	$ 22,284	Pledged, mortgage
Housing	17	Mortgage
Consumer	9	Mortgage
	$ 22,310	

2019		
Type of loan	Balance	Nature of the guarantee
Loans granted in Mexican pesos		
Commercial	$ 19,415	Pledged, mortgage
Housing	9	Mortgage
Consumer	21	Mortgage
	$ 19,445	

- **Restructurings by COVID-19**

During 2020 the Financial Group implemented a restructuring programmer with its customers from March to December, which consisted of facilitating restructurings for customers in force at the date of application, mainly of the products of cars, personal, SMEs and credit cards.

These benefits were divided into two schemes:

1) *Change to payment scheme*: which allows to decrease either 25% or 50% of the monthly and;

2) Deferral of payment of 100% of the monthly fee,

Both programs range from 1 to 4 extension periods and deferral of payment can be in subsequent monthly payments or at the end of the credit.

For credit card, three support plans were carried out, called:

a) *Payment plans;* which consists of monthly payments, term and fixed interest rate without being able to make it available for 4 months.
b) *Zero rate plan with minimum payment of 2%,* consists of paying only 2% of the minimum payment without interest collection, the account is disabled during the selected month(s).
c) *Plan skips you pay* the customer is relieved of the next immediate minimum payment requirement, for one month.

The program was granted at the request of each accredited person and based on the evaluation carried out by the Management thereof. The Financial Group did not meet the special accounting criteria issued by the Commission during 2020. Under the Commission's provisions, those credits were classified as an expired portfolio at the time of their restructuring and those programmers did not apply to credits which were in an expired portfolio.

The following is the information as of December 31, 2020 related to the restructured portfolio:

I. As of December 31, 2020, the amount and number of restructurings or renewals held in an overdue portfolio is shown below;

Type of loan	Number of loans		Amount
Commercial loans	718	$	203
Consumer loans	12,073		716
Housing loans	213		246
	13,004	$	1,165

II. As of December 31, 2020, the amount and number of restructurings or renewals held in the current portfolio is as follows

Type of loan	Number of loans		Amount
Commercial loans	4,197	$	758
Consumer loans	95,637		3,536
Housing loans	996		939
	100,830	$	5,233

III. As of December 31, 2020, the amount and number of restructurings or renovations that were broken is shown below

Type of loan	Number of loans		Amount
Commercial loans	195	$	32
Consumer loans	9,059		289
	9,254	$	321

As of December 31, 2020, the restructured portfolio has reserves consisting of $1,177. If the restructurings had not been carried out, the reserves would amount to $918.

f. ***Non-performing loan portfolio***

- **Aging**

As of December 31, 2020 and 2019, the aging of non-performing loan portfolio was as follows:

	2020	2019
From 1 to 180 days	$ 3,018	$ 2,955
From 181 to 365 days	1,003	1,004
From 366 days to 2 years	455	393
Greater than two years	576	961
	$ 5,052	$ 5,313

- **Transfers**

For the years ended December 31, 2020 and 2019, transfers to non-performing portfolio were as follows:

	2020	2019
Initial balance	$ 5,313	$ 5,955
Add (less):		
Net transfers from performing portfolio to non-performing portfolio and vice versa	9,400	8,500
Foreclosures	(220)	(72)
Defaults	(9,441)	(9,070)
Ending balance	$ 5,052	$ 5,313

For the years ended December 31, 2020 and 2019, the Financial Group did not record write-offs, disruptions and applications of loans granted to related parties, which therefore involved the elimination of the respective assets.

g. ***Commissions and fees charged per consolidated product*** - Commissions and fees charged per consolidated product are integrated on December 31, 2020 and 2019 as follows (Note 36):

	2020	2019
Consumer	$ 1,351	$ 1,569
Commercial	538	235
Letter of credit	85	64
	$ 1,974	$ 1,868

13. Allowance for loan losses

For the years ended December 31, 2020 and 2019, the allowance for loan losses was as follows:

	2020	2019
Commercial loan portfolio:		
Commercial or corporate activity (a)	$ 4,299	$ 2,994
Loans to financial entities (b)	27	231
Loans to government entities (c)	63	136
Consumer loans (d)	5,456	5,114
Housing loans (e)	356	423
	$ 10,201	$ 8,898

As of December 31, 2020 and 2019, the additional allowance was $1,449 and $59, respectively.

As of December 31, 2020 and 2019, the amounts for the allowance for loan losses was as follows:

a. Commercial loans (Commercial or corporate activity)

	2020		2019	
Risk	Portfolio classification by degree of risk	Amount of allowance recorded	Portfolio classification by degree of risk	Amount of allowance recorded
A-1	$ 124,213	$ 627	$ 105,094	$ 538
A-2	39,967	487	34,535	392
B-1	4,145	67	9,478	155
B-2	1,106	25	1,784	40
B-3	921	31	11,466	315
C-1	432	34	1,187	70
C-2	483	60	698	85
D	5,706	2,487	2,203	757
E	463	463	610	610
Rated portfolio	177,436	4,281	167,055	2,962
Additional allowance		18		32
Recorded allowance		$ 4,299		$ 2,994
Less				
Letters of credit	(3,478)		(3,589)	
Interest collected in advance	(373)		(538)	
Loan portfolio, net	$ 173,585		$ 162,928	

b. Commercial loans (Loans to financial entities)

Risk	2020 Portfolio classification by degree of risk	2020 Amount of allowance recorded	2019 Portfolio classification by degree of risk	2019 Amount of allowance recorded
A-1	$ 16,224	$ 1	$ 15,022	$ 143
A-2	12	-	1,915	19
B-1	449	7	270	5
B-2	-	-	2	-
B-3	77	2	1,920	60
C-1	247	17	58	3
C-2	1	-	5	1
D	-	-	1	-
Rated portfolio	17,010	27	19,193	231
Recorded allowance		$ 27		$ 231
Less –				
Letter of credit	(15,984)		(13,318)	
Loan portfolio, net	$ 1,026		$ 5,875	

c. ***Commercial loans (Loans to government entities)***

Risk	2020 Portfolio classification by degree of risk	2020 Amount of allowance recorded	2019 Portfolio classification by degree of risk	2019 Amount of allowance recorded
A-1	$ 12,673	$ 63	$ 27,103	$ 136

d. ***Consumer loans***

Risk	2020 Portfolio classification by degree of risk	2020 Amount of allowance recorded	2019 Portfolio classification by degree of risk	2019 Amount of allowance recorded
A-1	$ 15,837	$ 368	$ 19,121	$ 418
A-2	4,779	212	6,595	275
B-1	2,839	154	3,551	191
B-2	2,622	139	4,600	232
B-3	1,000	82	1,286	105
C-1	2,308	234	3,842	363
C-2	1,881	305	2,783	433
D	1,572	620	2,171	787
E	2,610	1,919	3,112	2,289
Rated portfolio	$ 35,448	4,033	$ 47,061	5,093
Additional allowance		1,423		21
Recorded allowance		$ 5,456		$ 5,114

e. ***Housing loans***

Risk	2020 Portfolio classification by degree of risk	2020 Amount of allowance recorded	2019 Portfolio classification by degree of risk	2019 Amount of allowance recorded
A-1	$ 3,323	$ 6	$ 3,923	$ 7
A-2	143	1	269	2
B-1	90	1	139	1
B-2	182	2	183	2
B-3	190	3	119	2
C-1	549	18	225	7
C-2	432	36	234	21
D	573	142	402	104
E	229	139	406	271
Rated portfolio	$ 5,711	348	$ 5,900	417
Additional allowance		8		6
Recorded allowance		$ 356		$ 423

f. ***Movements of the allowance for loan losses***

For the years ended December 31, 2020 and 2019, the movements of the allowance for loan losses were as follows:

	2020	2019
Initial balances	$ 8,898	$ 9,618
Add (less):		
Increase in allowance (a)	10,237	8,319
Transfer to reserves from foreclosed assets	-	70
Applications of allowance	(9,110)	(9,070)
UDI and foreign currency valuation	176	(39)
Ending balance	$ 10,201	$ 8,898

a. The movements of the allowance in the consolidated statements of income were as follows

	2020	2019
New reserves	$ 10,237	$ 8,319
Recoveries	(930)	(1,026)
Saldo del ejercicio	$ 9,307	$ 7,293

14. Accounts receivable from insurance and surety companies, net

As of December 31, were as follows:

	2020	2019
Loans with collateral	$ 1,482	$ 24
Unsecured loans	67	47
Loans on policies	329	325
Non-performing loans	1,296	1,296
	3,174	1,692
Allowance for doubtful accounts	(706)	(4)
	$ 2,468	$ 1,688

15. Premiums receivable, net

As of December 31, were as follows:

	2020	2019
Premium debtors from accident and health and damage	$ 4,953	$ 5,379
First year premiums receivable	491	517
Renewal premiums receivable	823	785
Premiums due for bonds	541	507
Debt receivable from federal government agencies and entities	205	710
	$ 7,013	$ 7,898

16. Receivable from reinsurers and surety, net

As of December 31, were as follows:

	2020	2019
Reinsurers' share	$ 7,056	$ 6,963
Insurance companies	627	641
Retained premiums from ceded reinsurance and rebounding	1	1
	7,684	7,605
Allowance for loan losses of foreign reinsurance	(2)	(3)
	$ 7,682	$ 7,602

17. Other accounts receivable, net

As of December 31, were as follows:

	2020	2019
Recoverable income tax	$ 2,756	$ 1,362
Receivables from liquidation of transactions	5,045	1,546
Receivables from margin accounts in derivative instruments	15,131	5,968
Commission receivable	4	4
Other debtors	2,333	2,706
	25,269	11,586
Allowance for losses	(159)	(153)
	$ 25,110	$ 11,433

18. Foreclosed assets, net

As of December 31, were as follows:

	2020	2019
Personal properties, securities and foreclosed rights	$ 1,035	$ 1,092
Foreclosed assets	2,696	2,624
	3,731	3,716
Less - Allowance for losses on personal properties, real estate, securities and foreclosed rights	(2,852)	(3,003)
Total	$ 879	$ 713

19. Property, furniture and equipment, net

As of December 31, were as follows:

	Depreciation or amortization rate	2020	2019
Buildings	5%	$ 6,140	$ 5,667
Office furniture and equipment	10%	1,144	1,079
Electronic computers equipment	30%	2,667	2,483
Vehicles	25%	210	219
Land		767	755
Leased assets	48%	870	936
Others		125	133
		11,923	11,272
Less-			
Accumulated depreciation and amortization		(4,494)	(4,107)
Total		$ 7,429	$ 7,165

For the years ended December 31, 2020 and 2019, the depreciation recorded in the consolidated statements of income amounted to $386 and $338, respectively.

As of December 31, 2020 and 2019, leasing assets under operating leases had carrying values of $134 and $153, respectively.

20. Investment in shares

As of December 31, long term investment in shares were as follows:

Entity	Balances at the beginning of 2020	Contributions	Equity in results	Other changes	Balance
				2020	
		2020			
Venture capital investments:					
Infraestructura y Transporte de México	$ 934	$ -	$ (1)	$ -	$ 933
Havas Media	(2)	-	(2)	-	(4)
Argos Comunicación	108	-	(40)	-	68
In Store México	137	-	6	-	143
Salud Interactiva	188	-	77	(40)	225
Salud Holding	44	(3)	3	-	44
Giant Motors Latinoamerica	202	-	17	1	220
Gas Natural México	1,707	-	578	(422)	1,863
Enesa	185	-	-	(1)	184
Aspel Holding	964	-	328	(157)	1,135
Patia Biopharma	(3)	39	(19)	-	17
Grupo IDESA	1,498	-	(519)	1	980
Excellence Freights de México	21	-	6	-	27
Patiacan	2	-	(1)	-	1
Hitss Solutions	602	-	50	-	652
Parque Acuático Inbursa	67	15	(20)	-	62
Star Médica	1,689	-	267	(135)	1,821
Soficam	23	-	(2)	-	21
Sistema de Administración y Servicios	1	-	-	-	1
Operadora Chelsen	2	-	-	-	2
Laboratorio de Diseño en Alimentos	1	-	-	-	1
Contalisto	1	-	-	-	1
Fanbot, S.A.P.I.	1	-	-	-	1
Soccerton Games	1	-	-	-	1
Fideicomiso GEO	439	-	-	(9)	430
	8,812	51	728	(762)	8,829
Other investments:					
Inbursa Siefore, S.A. de C.V. (60-64)	323	-	27	-	350
Inbursa Siefore Básica, S.A. de C.V. (55-59)	109	-	12	-	121
Inbursa Siefore Básica 3, S.A. de C.V. (75-79)	400	-	38	-	438
Inbursa Siefore Básica 4, S.A. de C.V. (85-89)	98	-	9	-	107
Inbursa Siefore Básica de Pensiones, S.A. de C.V.	39	-	3	-	42
Inbursa Siefore Básica Inicial, S.A. de .C.V.	4	-	-	-	4
Inbursa Siefore Básica 90-94, S.A. de C.V.	33	-	3	-	36
Inbursa Siefore Básica 80-84 S.A. de C.V.	203	-	19	-	222
Inbursa Siefore Básica 70-74 S.A. de C.V.	327	-	30	-	357
Inbursa Siefore Básica 65-69 S.A. de C.V.	327	-	29	-	356
Procesar, S.A. de C.V.	8	-	-	-	8
Asociación de Bancos de México, A.C.	8	-	-	-	8
Procesadora de Pagos Móviles	72	-	-	-	72

Entity	Balances at the beginning of 2020	Contributions	2020 Equity in results	Other changes	Balance
Sociedades de Inversión	163	1	12	1	177
Promotora Ideal	415	-	(26)	(69)	320
Autopista Arco Norte	14	(42)	2	55	29
Claro Shop.com	155	10	-	-	165
Guardiana LLC	5	-	1	(1)	5
Global Payments	37	-	-	(37)	-
Other	6	-	(2)	-	4
	2,746	(31)	157	(51)	2,821
	$ 11,558	$ 20	$ 885	$ (813)	$ 11,650

Entity	Balances at the beginning of 2019	Contributions	2019 Equity in results	Other changes	Balance 2019
Venture capital investments:					
Infraestructura y Transporte de México	$ 919	$ -	$ 15	$ -	$ 934
Havas Media	2	-	(4)	-	(2)
Argos Comunicación	101	-	7	-	108
In Store México	111	-	66	(40)	137
Salud Interactiva	181	(32)	39	-	188
Salud Holding	44	(7)	7	-	44
Giant Motors Latinoamerica	180	-	22	-	202
Gas Natural México	1,850	-	253	(396)	1,707
Enesa	189	-	91	(95)	185
Aspel Holding	882	-	146	(64)	964
Patia Biopharma	10	-	(13)	-	(3)
Grupo IDESA	1,781	96	(379)	-	1,498
Excellence Freights de México	31	-	(5)	(5)	21
Patiacan	1	-	1	-	2
Hitss Solutions	575	-	27	-	602
Parque Acuático Inbursa	71	11	(15)	-	67
Star Médica	1,602	-	142	(55)	1,689
Soficam	23	-	-	-	23
Sistema de Administración y Servicios	1	-	-	-	1
Operadora Chelsen	2	-	-	-	2
Laboratorio de Diseño en Alimentos	1	-	-	-	1
Contalisto	1	-	-	-	1
Fanbot, S.A.P.I.	1	-	-	-	1
Soccerton Games	1	-	-	-	1
Fideicomiso GEO	439	-	-	-	439
	8,999	68	400	(655)	8,812

			2019		
	Balances at the beginning of 2019	Contributions	Equity in results	Other changes	Balance 2019
Other investments:					
Inbursa Siefore, S.A. de C.V. (60-64)	545	-	48	(270)	323
Inbursa Siefore Básica, S.A. de C.V. (55-59)	162	-	14	(67)	109
Inbursa Siefore Básica 3, S.A. de C.V. (75-79)	523	-	51	(174)	400
Inbursa Siefore Básica 4, S.A. de C.V. (85-89)	400	-	42	(344)	98
Inbursa Siefore Básica de Pensiones, S.A. de C.V.	73	-	5	(39)	39
Inbursa Siefore Básica Inicial, S.A. de .C.V.	-	4	-	-	4
Inbursa Siefore Básica 90-94, S.A. de C.V.	-	33	-	-	33
Inbursa Siefore Básica 80-84 S.A. de C.V.	-	203	-	-	203
Inbursa Siefore Básica 70-74 S.A. de C.V.	-	327	-	-	327
Inbursa Siefore Básica 65-69 S.A. de C.V.	-	327	-	-	327
Procesar, S.A. de C.V.	8	-	-	-	8
Asociación de Bancos de México, A.C.	8	-	-	-	8
Procesadora de Pagos Móviles	72	-	-	-	72
Sociedades de Inversión	149	1	16	(3)	163
Promotora Ideal	405	-	10		415
Autopista Arco Norte	14	-	8	(8)	14
Claro Shop.com	155	-	-	-	155
Guardiana LLC	65	-	5	(65)	5
Global Payments	-	37	-	-	37
Other	4	-	(6)	8	6
	2,583	932	193	(962)	2,746
	$ 11,582	$ 1,000	$ 593	$ (1,617)	$ 11,558

21. Other assets, deferred charges and intangibles, net

As of December 31, this account is integrated as follows:

	2020	2019
Software licenses	$ 875	$ 683
Advanced payments	2,709	2,921
Goodwill	1,518	1,731
Guarantee deposits	775	713
Investment for employee benefits	8	92
Unamortized discount on securities issued	209	253
Other	1,631	1,821
	7,725	8,214
Amortization of software licenses	(623)	(582)
Other accumulated amortization	(316)	(261)
	$ 6,786	$ 7,371

The amortization of software licenses recorded in the consolidated statement of income during 2020 and 2019, was $24 and $17, respectively.

22. Deposits

a. ***Demand deposits*** -As of December 31, demand deposits were as follows:

	2020			2019		
	Mexican pesos	Translated foreign currency	Total	Mexican pesos	Translated foreign currency	Total
With interest	$ 152,900	$ 2,763	$ 155,663	$ 135,810	$ 2,804	$ 138,614
Without interest	3,040	254	3,294	1,825	166	1,991
	$ 155,940	$ 3,017	$ 158,957	$ 137,635	$ 2,970	$ 140,605

For the years ended December 31, 2020 and 2019, the interest expense from demand deposits on checking accounts was $7,013 and $8,966, respectively (Note 35b).

b. ***Time deposits*** - Time deposits include fixed-term deposits, deposits from companies and foreign banks and PRLV's. For those deposits in Mexican pesos, the interest rate relates to the interest rate of the CETES and the Mexican equilibrium interest rate (TIIE). For those deposits in foreign currency, the interest rate relates to Libor.

As of December 31, time deposits is integrated as follows:

	2020	2019
Fixed-term deposits:		
US dollars (1)	$ 69	$ 65
UDI (1)	13	12
Mexican peso (1)	688	1,063
Real(1)	172	9
	942	1,149
Promissory note with yield payable at maturity		
Placed on the counter (1)	8,736	11,568
Withdrawals deposits on pre-established days (1)	8,807	10,450
	$ 18,485	$ 23,167

(1) Placed within general public

(2) Placed within money market

Al 31 de diciembre de 2020 y 2019, los vencimientos a plazo menor de un año ascienden a $17,988 y $22,664 respectivamente.

As of December 31, 2020 and 2019, time deposits less than one year, were $17,988 and $22,664, respectively.

For the years ended December 31, 2020 and 2019, the interest expense from time deposits were $143 and $195, respectively (Note 35b).

In accordance with regulations, the Commission must be notified by financial institutions when deposits with one person or group of people legally considered as one person, represent more than 100% of the basic capital. As of December 31, 2020 and 2019, the Financial Group did not exceed this limit.

c. ***Debt securities*** **–** As of December 31, debt securities issued as marketable certificates, were as follows:

		2020		2019	
Issuance	**Amount of certificates**	**Balance**	**Interest Rate**	**Balance**	**Interest Rate**
Third program (1)					
Binbur 14-7	147,401,266	$ 15,053	7.00%	$ 15,039	7.00%
Binbur16-2	17,424,750	1,743	4.84%	1,753	8.13%
Binbur17	-	-	-	1,923	8.02%
Binbur18	50,000,000	5,018	4.72%	5,029	8.01%
BINBL53	1,000,000	19,963	4.13%	18,916	4.13%
BINBM37	750,000	15,075	4.38%	14,284	4.38%
		$ 56,852		$ 56,944	

(1)
On September 23, 2014, the Commission released the Official Notice No. 153/107353/2014 authorizing the Banco Inbursa's issuance of securities under the "Program for unsecured bank bonds, deposits certificates, promissory notes with returns at maturity and bank bonds" subject to registration in the National Securities Registry. The authorized should not exceed $100,000 or its equivalent in UDI.

As of December 31, 2020 and 2019, these issuances represent 22% and 24%, respectively, of the total authorized amount.

For the years ended December 31, 2020 and 2019, the interest expense from unsecured bank bonds were $3,244 and $3,493 (Note 35b), respectively.

23. Bank and other loans

This account includes loans received from other financial and governmental institutions, at market interest rates.

As of December 31, bank and other loans were as follows:

	2020			2019		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**
Short-term:						
Loans in Mexican pesos-						
Central Bank´s auctions	100	2	102	100	-	100
NAFIN	35	-	35	60	1	61
	135	2	137	160	1	161
Loans in foreign currency-						
NAFIN	-	-	-	1	-	1
Total short-term loans	135	2	137	161	1	162
Long-term:						
Loans in Mexican pesos-						
BANOBRAS	20,765	221	20,986	15,955	262	16,217
NAFIN	9,565	7	9,572	12,927	11	12,938
Sociedad Hipotecaria Federal	-	-	-	1,500	6	1,506
Other organisms	314	-	314	144	-	144
Total long-term loans	30,644	228	30,872	30,526	279	30,805
	$ 30,779	$ 230	$ 31,009	$ 30,687	$ 280	$ 30,967

As of December 31, 2020 and 2019, short-term loans in Mexican pesos accrued average interest rates of 5.23% and 9.57%, respectively. For the years ended December 31, 2020 and 2019, the long-term portion loans in Mexican pesos accrued average interest rates were 5.40% and 8.12%, respectively.

For the years ended December 2020 and 2019, the interest expense from bank loans were $2,453 and $3,083, respectively (Note 35b).

As of December 31, 2020 and 2019, no guarantees were granted in relation to loans payable.

As of December 31, 2020 and 2019, the Financial Group has no undrawn lines or credit.

24. Technical reserves

As of December 31, the account is integrated as follows:

		2020		2019
Of risk in progress	$	26,542	$	25,406
Obligations to be fulfilled		10,573		9,683
Of contingency		554		617
Specialized insurance		6		6
From catastrophic risk		8,510		9,557
	$	46,185	$	45,269

25. Liabilities to reinsurance and surety, net

As of December 31, the account is integrated as follows:

		2020		2019
Insurance companies	$	755	$	918
Surety companies		14		5
Retained premiums from ceded reinsurance and rebounding		2		2
Other businesses		18		27
	$	789	$	952

26. Income tax

The Financial Group is subject to ISR. In accordance with the ISR Law as of December 31, 2020 and 2019 the rate was 30% and will continue at the same percentage thereafter.

For the years ended December 31, 2020 and 2019, the consolidated income tax is comprised as follows:

		2020		2019
Banco Inbursa	$	3,041	$	2,445
Seguros Inbursa		895		1,378
Pensiones Inbursa		134		254
Inbursa Seguros de Caución y Fianzas		240		222

	2020	2019
Casa de Bolsa	123	99
Operadora Inbursa de Fondos de Inversión	104	108
Other subsidiaries	168	210
	$ 4,705	$ 4,716

At the date of the issuance of these consolidated financial statements, the Financial Group's 2020 annual income tax return and those of its subsidiaries have not been submitted to the tax authorities, therefore the taxes to be filed may be amended; however, Management estimates this will not be relevant.

Reconciliation of accounting and tax results - For the years ended December 31, 2020 and 2019, the effective ISR rates were 18.2% and 25.8%, respectively. A reconciliation of legal and effective tax rate is detailed below:

	2020	2019
Net income before income tax	$ 15,517	$ 17,453
Reconciling items-		
Annual adjustment for inflation	(3,317)	(2,968)
Non-deductible expenses	629	764
Difference in stocks taxable cost	(398)	(92)
Result in subsidiaries	(1,053)	(610)
Other permanents items	(1,990)	413
Income before income taxes, plus reconciling items	9,388	14,960
Income tax rate	30%	30%
Income tax	2,816	4,488
ISR from prior years	6	8
Total current and deferred tax according to the statement of income	$ 2,822	$ 4,496
Effective ISR rate	18.2%	25.8%

ISR is calculated considering as taxable or deductible certain inflation effects, such as depreciation which was calculated on Mexican pesos. The inflation effects of certain monetary assets and liabilities are accumulated and deducted through the annual inflation adjustment.

27. Liabilities arising from cash collateral received

Guaranteed cash deposits from OTC derivative contracts, especially with swaps, are required to comply with obligations from counterparties. As of December 31, 2020 and 2019, the credit balances were $22 and $268, respectively.

As of December 31, 2020 and 2019, the Financial Group has not balance of creditors for listed swap margin accounts.

28. Sundry creditors and other accounts payable

As of December 31, were as follows:

		2020		2019
Value added tax payable	$	1,347	$	1,436
Sundry creditors		2,947		3,218
Employee retirement obligation provision		1,115		466
Orders on behalf of clients		3		12
Guaranteed deposits		3		3
Money orders to pay		19		39
Cash checks		126		221
Provisions for other obligations		412		326
Certified checks		63		57
Contributions to the contingency fund		92		87
Current account agents		131		137
Unearned commissions		427		433
Provision for clearinghouse		231		222
Provision for memberships		2		5
Taxes withheld by third parties		50		44
Others		88		85
	$	7,056	$	6,791

29. Benefits to employees

In compliance with the accounting standard NIF D-3, the actuarial valuation was carried out which considers that the actuarial losses and / or gains are no longer amortized, that means, they are immediately recognized at the time they occur in the capital in the concept of “Other Comprehensive Income”, as well as the recycling of the provision as derived from " Retained earnings ", both items reflect the difference between labor liabilities and the recognition already exercised in previous years based on the employees' labor life; the labor cost in net interest will be included in the consolidated statement of income.

As of December 31, 2020 and 2019, the net periodic cost for obligations under pension plan and seniority premiums and termination benefits amounted to $187 and $21, respectively.

The Financial Group has a pension plan with defined benefits covering all employees who reach 65 years of age, who have 20 years of service at least and who joined before October 1, 1998. The plan is to provide supplementary pension granted by the Mexican Social Security Institute, according to the years of service in the Financial Group. From the effective date of retirement, the participant under this plan, receive a retirement annuity whose amount is calculated at 2.5% for each year of service, calculated on the average earnings of the past 24 months for salaries, compensation for seniority and annual bonus.

This plan also covers seniority premiums, which consist of a single payment of 12 days for each year worked based on the final salary, limited to twice the minimum wage established by the Federal Labor Law (LFT). Also, the provision of employment termination benefits in accordance with the LFT and the terms of the benefit plan is included. The related liability and annual benefits costs are calculated by an independent actuary on the bases defined in the plans using the method of projected unit credit.

a. As of December 31, the main concepts of actuarial calculation were as follows:

	2020	2019
Defined benefit obligation (DBO)	3,190	2,506
Plan assets	2,083	2,132
Net asset by defined benefit (asset)	1,107	374

b. Additional information used in the actuarial calculations:

	2020	2019
	%	%
Discount rate:		
Seniority premium	6.75	7.25
Legal compensation	5.50	6.75
Pension plan	6.00	6.75
Rate of wage increases	5.00	5.25
Rate of increase in the minimum wage	4.00	4.00

c. Net periodic cost are as follows:

	2020	2019
Service cost for the year	$ 121	$ 123
Financial cost	24	6
Recycling of remeasurement of NDBL or NDBA	42	3
Past service cost	-	(111)
Net cost of the period	$ 187	$ 21

As of December 31, the types of instruments and amounts in which the reserves are invested are as follows:

	2020	2019
Variable income	$ 717	$ 561
Fixed income	382	386
Government securities	371	339
Net valuation	608	838
	2,078	2,124
Interest receivable	1	3
Housing loans	4	5
	$ 2,083	$ 2,132

The main concepts that give rise to the balance of the (asset) liability for deferred PTU are:

	2020	2019
Liability (asset) deferred PTU:		
Property, plant and equipment	$ 86	$ 139
Customer advances	(76)	(50)
Allowance for doubtful accounts	(9)	(883)
Surplus from valuation of risk reserve	221	183
Others, net	(1,176)	260
Total (asset) liabilities deferred PTU, net	$ (954)	$ (351)

The amount of the deferred PTU recognized in the results for the period amounts to $164 and $926 in 2020 and 2019, respectively

30. Deferred taxes, net

Al 31 de diciembre, los principales conceptos incluidos en el cálculo de impuestos diferidos son los siguientes:

	2020	2019
Deferred tax liability:		
Valuation of shares	$ 662	$ 4,706
Valuation of financial instruments	2,104	2,988
Derivative financial instruments	(29)	688
Others	5,524	1,214
	8,261	9,596
Deferred tax asset:		
Tax on assets paid	50	48
Fiscal losses to be amortized	1,401	504
Commercial loans amortization	7	7
Valuation of financial instruments	(65)	984
Derivative financial instruments	785	13
Others	7,135	6,187
	9,313	7,743
Deferred tax liability, net	(1,052)	1,853
Deferred employee profit sharing (asset) liability	(954)	(351)
Total	$ (2,006)	$ 1,502

Deferred tax expense or (benefit) reported in the consolidated statements of income for the years ended December 31, 2020 and 2019, were $(1,883) and $(220), respectively.

To determine the deferred tax related to the allowance for loan losses, as of December 31, 2020, Banco Inbursa applies miscellaneous rule 3.23.1, which specifies that the defaults that it has as of January 1, 2014, no matter if they are of a portfolio generated before or after such date, they will not be deductible until they reach an amount equivalent to the balance of the global preventive reserve held by Banco Inbursa as of December 31, 2013. As of December 31, 2020, Banco Inbursa still has a balance pending redemption of $27,027 (updated value), so that, in the future, only the portfolio losses can be deductible when such redemption balance has been consumed.

The tax rate of 30% was applied to temporary differences as of December 31, 2020 and 2019.

31. Commitments and contingencies

a. ***Liability agreement*** - According to Article 28 of the Law Regulating Financial Groups, the Financial Group and its subsidiaries signed a liability agreement whereby the Financial Group accepts responsibility jointly and severally and without limitation for the performance of the obligations of its subsidiaries and for the losses derived from the performance of their own activities, even for those obligations incurred prior to the incorporation of the related subsidiaries into the Group.

The Financial Group shall similarly be liable for their monetary obligations due to third parties, bankruptcy declared by the regulatory authorities, and the deterioration of their consolidated balance sheets to the point that they are unable to meet legally specified capital requirements.

b. ***Leases*** - The Financial Group has several leasing contracts from the offices where its corporate activities are concentrated, parking lots and computer systems. Some of these contracts were celebrated by the affiliated companies and are not considered to be immaterial in relation to the consolidated financial statements taken as a whole. For the years ended December 31, 2020 and 2019, the leasing expenses amounted to $121 and $111, respectively.

With respect to rental payments to be made over the next five years, in accordance with the leasing contract in force as of December 31, 2020 and 2019, the Bank's management estimates that these will amount to $805 and $712, respectively.

c. ***Credit commitments -***

- **Letters of credit**

The Financial Group grants letters of credit to borrowers, which can generate a collection or delivery obligation at any time. Some of these operations are entered into with related parties. As of December 31, 2020 and 2019, letters of credit granted by the Financial Group amounted to $19,461 and $16,907, respectively.

- **Credit lines**

The Financial Group has granted lines of credits that have not yet been exercised. As of December 31, 2020 and 2019, the total amounts of credits granted by the Financial Group were $100,065 and $104,278, respectively. About the outstanding amounts to be exercised amounted to $68,164 and $64,485, as of December 31, 2020 and 2019, respectively.

d. ***Review of tax statutory reports*** - As of December 31, 2020, SAT is reviewing tax filings on the tax statutory report of Banco Walmart, S.A. for the year 2015.

e. ***Claims on contractual obligations*** - Various lawsuits and claims have been filed against the Financial Group in the courts, and with the CNSF. At the present time, it is not possible to predict what the final outcome of these cases will be. In some cases, the Financial Group has provided for these potential losses through charges to reinsurers and its retained business, if applicable, and these provisions include accrued interest computed as required under the established rules.

f. ***Labor*** - The Financial Group is party to a number of labor disputes filed against it with different local and Federal labor conciliation and arbitration boards. Such cases are currently in different stages and pending resolution or settlement.

g. ***Lawsuits*** - Over the normal course of business, the Financial Group and its subsidiaries have been involved in certain lawsuits which are not expected to significantly affect their financial position or future results of operations. As of December 31, 2020 and 2019, the Financial Group does not have provisions for contingencies, based on the opinion of its internal and external legal advisors.

32. Stockholders' equity

a. ***Capital Stock*** - As of December 31, 2020 and 2019, authorized capital stock consists of 6,667,027,948 Series "O" shares with a nominal value of $0.4137108 Mexican pesos each.

As of December 31, 2020 and 2019, the historical value of stockholders' paid capital stock was $2,758.

The book value as of December 31, 2020 and 2019 is $14,139 and $14,167, respectively, due to share repurchases as well as to the incorporation of the effects of inflation that were recognized up to December 31, 2007.

The additional share capital will be represented by Series "L" shares which, in accordance with the Law to Regulating Financial Groups, may be issued up to 40% of the ordinary share capital, subject to prior authorization by the Commission.

Representative Series “L” shares have limited voting rights, as their holders may only vote in matters involving a change in the Financial Group’s corporate purpose, as well as mergers, spin-offs and the Financial Group’s transformation, dissolution, liquidation, and cancellation of stock exchange registration. Such Series “L” shares may also confer the right to a cumulative preferred dividend, and a higher dividend than the one paid to holders of shares representing ordinary capital stock. In no circumstances may the dividends paid on Series “L” shares be less than those paid on the other series of shares.

In accordance with the LIC, the minimum stockholders’ equity paid for credit institutions must be 90 million UDI. As of December 31, 2020 and 2019, the Financial Group was in compliance with this regulatory requirement.

	Number of shares		Amount	
	2020	2019	2020	2019
Fixed capital-				
Series "O" shares subscribed and paid	6,547,431,932	6,614,620,183	$ 2,709	$ 2,736
Series "O" shares in treasury	119,596,016	52,407,765	49	22
Total authorized	6,667,027,948	6,667,027,948	$ 2,758	$ 2,758

b. ***Stockholders’ equity entries*** –

A Stockholders’ Ordinary General Meeting held on April 29, 2020 approved the result of the year as of December 31, 2019, and authorized its transfer to retained earnings.

A Stockholders’ Ordinary General Meeting held on April 23, 2019 approved the result of the year as of December 31, 2018, and authorized its transfer to retained earnings, and also approved the payment of a dividend for the amount of $9,946.

c. ***Restrictions to stockholders’ equity***

Beneficial ownership - Foreign legal entities exercising functions of authority may not participate in the capital stock in any form. Neither may domestic financial institutions, including those that are part of the respective group, except when they act as institutional investors, in terms of Article 19 of the Law to Regulate Financial Groupings.

Any individual or corporate person can acquire by one or several operations, Series “O” shares control, from a multiple purpose financial entity, in all cases with previous authorization from SHCP, and favorable opinion from the Commission.

Capital reserve - As of December 31, 2020 and 2019, capital reserves were $3,345 and $2,224, respectively, of which $2,284 and $697 corresponding to the reserve for repurchase of own shares and $1,191 and $652 respectively of legal reserve.

Reserve for repurchase own shares - The reserve for the repurchase of own shares, has its origin in the agreements of the Shareholders' Meeting, allocating part of the accumulated profits for its constitution. At the Ordinary General Shareholders' Meeting held on April 30, 2019, it was ratified that the maximum amount of resources that may be allocated to the acquisition of own shares is $1,000.

Legal reserve - In conformity with the Mexican Corporations Act, the Financial Group is required to appropriate at least 5% of the net income of each year to increase the legal reserve until it reaches a fifth of the value of the Financial Group's capital stock. Such reserve may not be distributed to shareholders during the life of the Financial Group, except in the form of a stock dividend.

Capital reductions - In the event of a capital reduction, the reimbursement to shareholders in excess of the amount of the restated capital contributions, in accordance with the ISR Law, shall be subject to taxation at the enacted rate at the time of such reduction.

d. ***Availability of earnings***

ISR Law establishes that dividends derived from net income that has been subject to ISR will not be subject to additional ISR. In order to qualify for this exclusion, tax income must be controlled with the Tax Net Income Account (CUFIN). Distributions in excess of the balance of CUFIN will be subject to ISR.

In accordance with the ISR Law, the Financial Group must regulate in a separate account known as Contributed Capital Account (CUCA), all capital contributions and net premiums due to shares´ subscriptions and all capital reductions as well. This account must be updated according to Mexican annual inflation from the date in which the capital contribution was made until there is a capital reduction.

In accordance with the ISR Law, the amount of capital reduction is not subject to taxes, only if it does not exceed the CUCA balance; otherwise the difference must be considered as distributed income which is subject to tax payable by the Financial Group.

As of December 31, 2020 and 2019, tax equity balances were as follows (unaudited):

	2020	2019
CUCA	$ 45,887	$ 44,486
CUFIN 2013	$ 795	$ 771
CUFIN 2014	$ 24,400	$ 23,267

e. ***Capital management***

As of December 31, 2020, the Financial Group has sufficient capital to cover the risks assumed and that of its subsidiaries, which is greater than the minimum required by current regulations. Likewise, the Financial Group has an Integral Risk Unit that is in charge of monitoring and verifying that, prior to carrying out each of the operations, these comply with the methodology and policies established in the Assets and Liabilities Committee and that the moment, capital adequacy is maintained with respect to the minimum requirements of the regulatory authorities. During the 2020 and 2019, there were no situations that represented any deviation from the guidelines established by the Financial Group on capital adequacy, so the implementation of a preventive action plan was not necessary.

33. Earnings per share and other comprehensive income

a. ***Earnings per share*** - The earnings per share for years ended December 31, were as follows:

		2020		2019
Net controlling interest income	$	12,662	$	12,926
Weighted average number of common shares		6,589,267,960		6,626,000,956
Earnings per share (Mexican pesos)	$	1.9216	$	1.9508

b. ***Other comprehensive income*** - For the years ended December 31, 2020 and 2019, other comprehensive income was as follows:

		2020		2019
Net income	$	12,662	$	12,926
Participation in other capital accounts of subsidiaries		(2,543)		(2,908)
Non-controlling interest		2		11
Other comprehensive income	$	10,121	$	10,029

34. Information by segments

The Financial Group's operations by business segment were as presented in the tables below. Balances presented below are classified differently from the presentation adopted for the consolidated financial statements as they were grouped according to operation and accounting records.

		2020		2019
a) Loan portfolio transactions:				
Revenues-				
Interests from loans (Note 35a)	$	29,638	$	29,850
Exchange rate and UDI (Note 35a)		1,185		507
Commissions from opening of credit lines (Note 35a)		219		218
Commissions income (Note 36)		1,974		1,868
Other operating income		2,560		2,863
		35,576		35,306
Expenses				
Exchange rate and UDI (Note 35b)		1,461		348
Allowance for credit losses (Note 13f)		9,307		7,293
Interests from deposits (Note 35b)		14,060		17,464
Commissions expense		1,204		1,290
Other operating expenses		360		740
Valuation derivatives and primary hedge position (Note 11)		7		34
Amortization from loan portfolio valuation (Note 11)		230		43
		26,629		27,212
Results from credit operations	$	8,947	$	8,094

		2020	2019
b)	Money market and capital market operations		
	Revenue-		
	Interest from investments (Note 35a)	$ 10,123	$ 14,089
	Premiums from sale and repurchase agreements (Note 35a)	4,973	3,888
	Commissions collected (Note 36)	1,095	965
	Results from securities operations (Note 37)	1,418	1,565
	Results from investment in securities (Note 37)	(1,253)	1,543
	Interest income and returns from margin accounts (Note 35a)	56	67
		16,412	22,117
	Expenses		
	Discount for debt placement	51	52
	Awards for securities lending operations	-	13
	Premiums from sale and repurchase agreements (Note 35b)	3,313	2,906
	Commissions expense	2,618	2,725
		5,982	5,696
	Results from money market and capital market operations	$ 10,430	$ 16,421

		2020	2019
c)	Derivatives and foreign currency operations (Note 37)		
	Results from foreign exchange transactions	$ (213)	$ (445)
	Results from foreign currency exchange	(217)	81
	Results from derivative financial operations	(1,864)	(2,560)
	Results from valuation of derivative financing operations	498	(2,586)
		$ (1,796)	$ (5,510)
d)	Reconciliation :		
	Loan portfolio transactions	$ 8,947	$ 8,094
	Money market and capital market transactions	10,430	16,421
	Derivatives and foreign currency transactions	(1,796)	(5,510)
	Insurance, pensions and securities	5,548	5,992
	Commissions from management of retirement accounts (Note 36)	1,286	1,192
	Other commissions and fees	2,811	2,866
	Administrative and promotional expenses	(12,594)	(12,195)
	Result of operations	$ 14,632	$ 16,860

The aforementioned segment information refers to credit, money market and capital market, and insurance and bonding transactions carried out mostly by the subsidiaries of the Financial Group. .

35. Financial margin

For the years ended December 2020 and 2019, the main items comprising the financial margin was as follows:

a. ***Interest income***

		2020		2019
Loan portfolio (1) (Note 34a):				
Commercial loans-				
Commercial or corporate activity	$	17,952	$	16,318
Loans to financial entities		331		638
Loans to government entities		1,260		1,360
Consumer loans		9,500		10,943
Housing loans		595		591
Funds available interests		-		12
Commissions from the granting of initial credit (Note 34a)		219		218
Premiums from repurchase agreements (Note 9)		4,973		3,888
Investments securities (Note 34b)		9,010		12,671
Deposits in Central Bank (Note 34b)		743		772
Financing on national and foreign banks (Note 34b)		48		163
Amortization from loan portfolio valuation (Note 11)		(237)		(77)
Valuation of foreign currency and UDI (Note 34a)		1,185		507
Dividends from equity instruments, net (Note 34b)		314		431
Others		8		40
From margin accounts		56		67
	$	45,957	$	48,542

(1) Interest from type of loan were as follows:

		2020		2019
Simple	$	7,325	$	7,347
Housing loans		8,592		6,042
Unsecured loans		700		1,453
Restructures		777		837
Subject to VAT		112		199
Other discounted loans		4		22
Housing loans		595		591
Discounted loans		365		357
Pledged loans		56		59
Consumer loans		9,500		10,943
Leasing		21		2
Financing entities		331		638
Government entities		1,260		1,360
	$	29,638	$	29,850

b. *Interest expense*

	2020			2019		
	Mexican pesos and UDI	Foreign currency	Total	Mexican pesos and UDI	Foreign currency	Total
Premiums from repurchase (Note 9)	$ 3,313	$ -	$ 3,313	$ 2,906	$ -	$ 2,906
Time deposits (Note 22b)	139	4	143	177	18	195
Promissory notes returns at maturity (Note 22b)	1,207	-	1,207	1,727	-	1,727
From interbanking loans and from other organisms (Note 23)	2,432	21	2,453	3,080	3	3,083
For demand deposits (Note 22a)	7,013	-	7,013	8,963	3	8,966
For debt securities (Note 22c)	1,554	1,690	3,244	1,982	1,511	3,493
Discounts by issuance of debt	8	42	50	8	43	51
Premiums charged in securities lending operations	-	-	-	13	-	13
Interest expenses of insurance and surety companies	1	-	1	1	-	1
Valuation of foreign currency and UDI	1,461	-	1,461	348	-	348
	$ 17,128	$ 1,757	$ 18,885	$ 19,205	$ 1,578	$ 20,783

c. *Premium income, net*

	2020	2019
Premium issued (1)	$ 21,560	$ 21,311
Ceded premium	(5,852)	(5,211)
	$ 15,708	$ 16,100

(1) Below is the composition of the premiums broken down by operation and branch::

Branch	Number of policies per operation and branch		Certificates / Incidents / Insured / Pensioners / Sureties		Premium issued	
Year:	2020	2019	2020	2019	2020	2019
Individual life	2,034,658	2,396,470	2,058,819	2,421,171	$ 3,869	$ 3,873
Life group	1,410	1,818	3,394,490	3,496,361	1,471	1,406
Total life operation	2,036,068	2,398,288	5,453,309	5,917,532	5,340	5,279
Personal accidents	2,611	3,749	529,225	713,794	40	60
Medical expenses	53,773	54,563	2,026,112	2,401,735	3,854	4,003
Total operation of accidents and diseases	56,384	58,312	2.555,337	3,115,529	3,894	4,063
Civil liability and professional risks	47,343	52,577	3,330,277	4,240,515	1,230	1,022
Maritime and transport	1,212	1,194	820	991	758	805
Fire	44,898	47,436	822,695	1,199,570	3,354	3,127
Cars	423,953	423,715	1,663,595	1,915,733	3,125	3,373
Catastrophic risks	26	24	669,044	909,016	15	19
Various	58,690	41,001	3,242,571	36,861	1,865	1,700
Caution	1	-	1	-	-	-
Total damage operation	576,123	565,947	9,729,003	8,302,686	10,347	10,046
Pensions derived from the Social Security Laws	395	394	567	595	4	6
Fidelity	249	253	249	253	2,068	2,004
Judicial	9,742	20,780	9,742	20,780	3	1
Administrative	12,492	12,831	12,492	12,831	143	146
Credit	23	16	23	16	1	2
Total bail bonds operation	22,506	33,880	22,506	33,880	2,215	2,153
Total consolidated	2,691,473	3,056,821	17,760,722	17,370,385	$ 21,801	$ 21,547

(1) Information without consolidation eliminations

Net increase in technical reserves

	2020		2019	
Reserve for unexpired risks	$	(495)	$	137
Catastrophic risk reserve		(1,103)		(470)
Others		(8)		(16)
	$	(1,606)	$	(349)

Losses, claims and other contractual obligations, net

	2020		2019	
Claims and contractual obligations	$	10,069	$	8,812
Net claims		1,674		1,622
Social security pensions		23		23
	$	11,766	$	10,457

36. Commissions and fee income

For the years ended December 31, 2020 and 2019, this account is comprised as follows:

	2020		2019	
Retirement account management	$	1,286	$	1,192
From loan portfolio (1)		1,974		1,868
Intermediation in money market		636		550
Intermediation in the stock market		459		415
Reinsurance and re-guarantee		265		170
Other commissions		2,546		2,696
	$	7,166	$	6,891

(1) The loan portfolio commissions balance is comprised as follows:

	2020		2019	
Commercial	$	538	$	235
Consumer		1,351		1,569
Letter of credit		85		64
	$	1,974	$	1,868

37. Gain/losses on financial assets and liabilities

As of December 31, this account is comprised as follows:

	2020		2019	
Other products and benefits from purchase expenses-sale of securities				
From foreign exchange transactions	$	(213)	$	(445)
From transactions in securities		1,418		1,565
From transactions in financial derivatives		(1,864)		(2,560)
		(659)		(1,440)

	2020	2019
Results from valuation at market		
From foreign exchange transactions	(217)	81
From transactions in securities	(1,253)	1,543
From transactions in financial derivatives	498	(2,586)
	(972)	(962)
	$ (1,631)	$ (2,402)

38. Memorandum accounts

As of December 31, 2020 and 2019, the main off-balance sheet accounts are shown below. These accounts represent rights and obligations of the Financial Group arising from transaction with third parties, and the recording unit values, mandates and custodies arising from own operations.

a. ***Transactions on behalf of third parties:***

i. Customer securities in custody

	Títulos	2020	Títulos	2019
Government debt	14,448,918,627	$ 187,169	14,729,945,757	$ 185,007
Bank debt	42,571,866,903	57,342	72,258,846,363	69,761
Other debt securities	286,293,949	73,007	298,327,148	66,909
Equity instruments, net	127,012,314,210	1,639,852	119,431,893,353	1,622,844
	184,301,393,689	$ 1,957,370	206,719,012,621	$ 1,944,521

For the years ended December 31, 2020 and 2019, custodial income amounted to $19 for both years (unaudited).

b. ***b. Transactions on own behalf:***

i. Contingent assets and liabilities

As of December 31, the values of contingent assets and liabilities were as follows:

	2020	2019
Societal values given in custody		
Shares of variable capital	$ 4,492	$ 3,158
Marketable certificates	5,146	15,203
Treasury Bills (CETES)	17,894	18,025
Bank bonds	1,943	936
Promissory note with yield payable at maturity	1,641	1,466
	$ 31,116	$ 38,788

ii. Assets in trust or mandate (unaudited)

As of December 31, the balances of operations in which the Financial Group acts as the fiduciary are as follows:

	2020	2019
Trusts funds		
Management	$ 336,567	$ 312,745
Investment	65,366	69,593
Guarantee	42	41
Transfer of title of property	95	95
	402,070	382,474
Mandates	1,406	1,285
	$ 403,476	$ 383,759

For the years ended on December 31, 2020 and 2019, revenue from activities performed in its capacity as trustee were $39 and $41, respectively.

c. ***Custody and management assets (unaudited)***

As of December 31, were as follows:

	2020	2019
Custody assets (1)	$ 138,950	$ 134,225
Guarantee assets	130,020	139,282
Notes subject to collection	32,777	31,250
Others	1,821	1,726
	$ 303,568	$ 306,483

(1) As of December 31, the Financial Group has custody of ADR's, whose integration and fair value of the issuances is as follows (unaudited):

		2020		2019	
Issuer	Series	Securities	Fair value	Securities	Fair value
AMX	L	6,440,550,019	$ 93,324	6,367,688,638	$ 96,152
AMX	A	126,213,786	1,892	133,914,646	2,008
GCARSO	A1	313,758	21	308,058	21
GFINBUR	O	2,270,050	46	2,659,875	62
MFRISCOA-1	CPO	414,514	2	475,616	1
Total		6,569,762,127	$ 95,285	6,505,046,833	$ 98,244

39. Other operating income (expenses), net

For the years ended December 31, the account is integrated as follows:

	2020	2019
Lease income	$ 295	$ 345
Impairments and write-offs	(184)	(178)
Income from administrative services	1,705	1,903
Rights on products or policies	(391)	2
Loan portfolio acquisition	5	11
Others	770	41
Total	$ 2,200	$ 2,124

40. Operations with related parties

According with Criterion C-3 “Related parties” issued by the Commission, operations with related parties subject to disclosure are those that represent more than 1% of net capital from prior month as of the date of preparation of financial reporting. As of December 31, 2020 and 2019, the balance amounted to $701 and $700, respectively.

Operations with related parties are done using market terms, according to existing conditions at the date of the operation.

a. Contracts - The most important contracts entered into with related parties are described below:

- Open-ended brokerage intermediation agreements with each Group entity for the safekeeping of securities through which Inversora Bursátil renders intermediation services for the trading and the safekeeping and management of financial instruments.

- Stock distribution agreement entered into with Operadora Inbursa de Fondos de Inversión, whereby the Group promotes and sells shares in the related party’s investment funds. This agreement is for an indefinite term.

- The Financial Group has entered into administrative trust agreements with its related parties.

- The Financial Group has loans granted to related parties

- The Financial Group issues letters of credit to related parties.

- The Financial Group has demand deposits and time deposits with related parties; however, the balances for these deposits do no exceed the limit established by the Commission

- Permanent investments in stock as of December 31, 2020 and 2019 are described in detail in Note 20.

b. ***Operations*** - As of December 31, 2020 and 2019, main operations celebrated with related parties were as follows:

Relation	Operation	2020	2019
Revenue:			
Affiliate	Interest income	$ 1,128	$ 2,785
Affiliate	Premiums collected from sale and repurchase operations	2,444	257
Affiliate	Commissions and fees income	254	61
Affiliate	Share distribution commission	280	284
Affiliate	Utilities from derivatives	570	1,529
Affiliate	Fiduciary transactions	39	26
		$ 4,715	$ 4,942
Expenses:			
Affiliate	Interest expense	$ 69	$ 134
Affiliate	Premiums paid from sale and repurchase agreements	850	521
Affiliate	Personnel service administration	1,563	1,866
Affiliate	Leases	121	111
Affiliate	Commissions from public share offering	250	256
		$ 2,853	$ 2,888
Equity:			
Stockholders	Repurchase of shares	1,191	652
Stockholders	Dividends paid	-	9,946

c. ***Benefits for key officials and relevant management*** **-** The Financial Group's Management is performed by the CEO and top-level managers. The amount paid to such officers and directors in the year 2020 and 2019, corresponding to short-term benefits, amounted to $324 and $281 respectively. There are no stock payment benefits.

d. ***Balances*** - Main accounts receivable and payable with related parties as of December 31, 2020 and 2019, were as follows:

Relation	Operation	2020	2019
Affiliate and associate	Derivative financial instruments (1)	$ 251	$ (127)
Affiliate	Loan portfolio	12,479	20,369
Affiliate	Repurchase agreements	2,001	-
Affiliate	Deposits	2,771	3,023
Affiliate	Time deposits	80	119
Affiliate	Loan commitments (letters of credits)	2,314	101
Affiliate	Custody and management securities	2,064,425	592,021
		$ 2,084,321	$ 615,506

(1) As of December 31, 2020 and 2019, the Financial Group has forward and swaps contracts with related parties. Regarding forward contracts with related parties as of December 31, 2020 and 2019, Banco Inbursa has 5 and 4 respectively, with notional of $7,249 and $5,145 respectively; regarding swap contracts with related parties as of December 31, 2020 and 2019, the Financial Group has 12 and 34, with notional of $13,649 and $19,504, respectively.

41. Risk management (unaudited information)

To carry out the correct Management of the risks to which the Financial Group is exposed as a result of its transactions, management has prepared policies and procedures manuals that adhere to the guidelines established by the Commission and Central Bank.

The Provisions issued by the Commission establish the obligation whereby credit institutions must disclose, through notes to their consolidated financial statements, information on the policies, procedures, methodologies and other measures adopted for risk management purposes, together with data regarding the potential losses they face by risk type in the different markets in which they participate.

The Provisions issued by the Commission establish that the Internal Audit Department conduct at least once a year or the end of each fiscal year a comprehensive risk management audit. The results obtained were presented to the Board of Directors.

- ***Environment* -** Through comprehensive risk management, the Financial Group promotes the corporate governance structure used to support the Comprehensive Risk Management Unit (UAIR) and the Risks Committee. Similarly, through these entities, the Financial Group identifies, measures, controls and monitors its quantifiable and unquantifiable operating risks

  The Risk Committee analyzes the information systematically provided by operating department.

  It also has a contingency plan focused on mitigating the weaknesses detected at the operating, legal and recording levels as a result of performing transactions that exceed the maximum risk tolerances approved by the Risks Committee.

  Actions arising from the SARSCoV2 virus epidemic:

  Health:

  From the knowledge of COVID-19 disease caused by coronavirus, the Financial Group implemented preventive health measures such as: the use of antibacterial gel, the use of digital thermometers in accesses, the use of masks in a mandatory manner, healthy distance way, work through home office scheme, cleaning and disinfection of surfaces and objects commonly used, also implemented policies for the management, control and isolation of people infected or suspected of contagion.

  Liquidity and solvency

  During the months since the beginning of the epidemic as of this date, the Financial Group has monitored and tracked on time the CCL liquidity indicators, CFEN, the requirements of liquid assets in foreign currency, as well as the level of capitalization through ICAP, which at all times have shown that the Financial Group has sufficient levels in terms of liquidity and solvency to meet its obligations applicable regulations.

  From Commission facilities and exemption

  With regard to the publication of the Commission dated March 26, 2020, in the Official Journal of the Federation, concerning the use of the capital conservation supplement referred to in Article 2a
  5, fraction III(a) of the General Provisions Applicable to Credit Institutions, which may be accepted by the institution for compliance with the applicable regulations and temporary exemptions to the General Provisions on Liquidity Requirements for the Institution, agreed by the Banking Liquidity Regulation Committee, however the Financial Group did not use the facilities or exceptions mentioned above, were made aware of the Board of Directors at the meeting held in April 2020.

Operational Risk, Technological Risk and Business Continuity

Activating users in the VPN (Virtual Private Network) for the personnel which work in home office.

Implementation of information security measures to safeguard the integrity of information.

Authorization of institutional communication platforms for the realization of videoconferences to facilitate communication.

Risk Measurement

- ***Market risk -***

Market Risk is defined as the potential loss due to changes in the risk factors that affect the valuation or the expected results of the asset, liability or contingent liability operations, such as interest rate, exchange rates, price index among others.

Market Risk Management consists of identifying, measuring, monitoring, limiting, controlling, reporting and disclosing the different risks to which the Financial Group is exposed by existing movements in the market.

The Market Risk objectives are:

Comply with the Desired Risk profile subscribed by the Board of Directors.
2. Report timely and in form to the General Management.
3. Maintain an adequate monitoring of Market Risk.
4. Quantify through the model authorized by the Risk Committee the Exposure to Market Risk.
5. Quantify the vulnerability of the Financial Group in extreme market conditions and consider results for decision making according to the nature and complexity of the operations.

The Market Risk policies are:

1) The Risk Committee is the body empowered to approve specific limits to the Market Risk.

2) The Risk Committee is the body empowered to approve models, methodologies and procedures to measure, monitor, monitor, limit, control Market Risk.

3) New products subject to market risk should be evaluated and approved through the guidelines of new products approved by the Risk Committee.

4) Compare once a month the estimates of Market Risk exposure against the results actually observed for the same measurement period and, if necessary, carry out the necessary corrections by modifying the model when they show deviations.

5) Evaluate at least once a year that the market and systems risk model remains adequate.

To make the measurement and evaluation of the risks taken in its financial operations, the Financial Group has computational tools to calculate the value at risk (VaR), performs retrospective analysis referring to Back testing, in addition to carrying out sensitivity analyzes and stress tests under extreme conditions.

To verify statistically that the Market Risk measurement model yields reliable results, the Financial Group performs a hypothesis test on the level of confidence, with which this measurement is made. The hypothesis test consists of a Chi-Square test (Kupiec test) on the proportion of the number of times the loss actually observed exceeds the estimated risk level.

The exposure to Market Risk of financial instruments is quantified through the Historical VaR methodology with a time horizon of 1 day with a 95% confidence level and 252 observations.

Currently, Market Risk is calculated for money market portfolios, international bonds, variable income and derivatives.

The value at risk at the end of 2020, was as follows:

Type of Risk	Fair Value	Historical Var (1)	%VAR (M) vs Basic capital
Variable income	$ 693	$ 8	0.0122%
Rate swaps	1,892	28	0.0408%
Currency swaps	(4,828)	439	0.6310%
Listed swaps	(626)	0	0.0008%
Nominal rate	79,935	74	0.1058%
Real rate	5,748	7	0.0100%
Futures	(1)	18	0.0257%
Forwards	(147)	263	0.3760%
Foreign Exchange	2,341	12	0.0171%
Total Banco Inbursa	$ 85,007	237	0.3388%
Basic capital (2)	$ 69,946		

(1) Value at Historical Risk at one day, with 95% of confidence

(2) Basic Capital as of September 30, 2020

The sensitivity analysis - Given that the risk measure (VaR) shows the potential losses under normal market conditions, the sensitivity analysis complements the risk analysis under extreme conditions in order to measure the impact on the Financial Group positions given important movements in the risk factors.

Type of Risk	Fair Value	Fair Value 100BP	Fair Value 500BP
Variable income	$ 693	$ 700	$ 727
Rate swaps	1,892	1,542	388
Currency swaps	(4,828)	(3,955)	(1,707)
Listed swaps	(626)	(433)	282
Nominal rate	79,935	75,976	77,095
Real rate	5,748	6,257	4,937
Futures	(1)	(1)	(1.13)
Forwards	147	28	726
Foreign Exchange	2,341	720	677
Total Banco Inbursa	$ 85,007	83,086	85,466
Basic capital (Sep 2020)	$ 69,946		

(1) Using a sensitivity scenario of 100 basis points (bps) and 500 bps, the surplus that would be recognized if the derivative instrument positions materialized in force as of December 31, 2020, would be of $890 and $3,397, respectively.

The VaR or Value at Risk estimates the maximum loss that could be recorded by the exchange market, nominal rate and real rate, derivatives and variable income portfolios.

A monthly summary of Market Risk exposures is presented below:

Date		VaR
01/31/2020	$	241
02/28/2020		122
03/31/2020		377
04/30/2020		371
05/31/2020		428
06/30/2020		153
07/31|/2020		401
08/31/2020		370
09/30/2020		418
10/31/2020		457
11/30/2020		254
12/31/2020		237
VaR average	$	319

The Financial Group's most significant risk position is its derivatives position, which is composed by futures and forward currency, action forward, options and swaps in Mexican pesos and US dollars. The presented information includes the fair value of these positions, the generated surplus/disability and the daily Value at Risk with a 95% reliance level.

To validate that VaR is a reliable indicator of loss levels, back testing is performed.

Market Risk management is supplemented with stress tests based on two sensitivity scenarios of 100bps and 500bps, respectively, together with the replication of historical catastrophic conditions with up to four standard deviations, as Credit Crunch 2008, September 11, 2001, Russian Crisis 1998, Asian Crisis 1997, Mexican Crisis 1994, which simulate the manner in which adverse movements will have an accumulated effect on the portfolio at the calculation date. The new stressed risk factor conditions are used to value portfolios and determine their Value at Risk and new mark-to-market.

Under the new conditions stressed of the risk factors the portfolio valuation is made, as well as its risk value and its new brand to market.

Sensitive analysis of hedge swaps

Type of risk		Fair value		Fair value 100BP		Fair value 500BP
Swaps IRS	$	(942)	$	(584)	$	590
Swaps CCS		(3,648)		(3,905)		(4,932)
Swaps listed		(787)		(195)		1,800
Total Banco Inbursa	$	(5,377)	$	(4,684)	$	(2,542)

(2) With a sensitivity scenario of 100 basis points (bps) and 500 bps, the losses that would be recognized in the event of materialization by the hedging swap positions in effect as of December 31, 2020, would be $694 and $2,836, respectively.

1) ***Concentration risk:*** Potential loss attributed to the high and disproportionate exposure to particular risk factors within the same category or between different risk categories. The objective is to maintain adequate levels of concentration of the portfolio of financial instruments within the following limits of risk VaR.

The concentration in risk factors in the portfolio of financial instruments is as follows:

Portfolio	Historic Limit VaR
Nominal Rate	10%
Real Rate	10%
Currency and Synthetics	10%
Variable Income	15%
Swaps	20%
Options	10%

The observed VaR by the risk factor at the end of December 2020 is:

Portfolio	Limit VaR
Nominal Rate	0.11%
Real Rate	0.01%
Currency and Synthetics	0.02%
Variable Income	0.01%
Swaps	0.04%
Options	0.0%

2) ***Liquidity risk -*** It is defined as the inability to meet present and future cash flow needs affecting the daily operation or the financial conditions of the Financial Group; The potential loss due to the impossibility or difficulty of renewing liabilities or contracting others under normal conditions for the Financial Group, due to the anticipated or forced sale of assets at unusual discounts to meet their obligations or, due to the fact that a position does not it may be opportunely alienated, acquired or hedged through the establishment of an equivalent counter position, the potential loss due to the change in the structure of the Financial Group's balance sheet due to the difference in terms between assets and liabilities.

Coefficient of Liquidity Hedge (CCL)

In order to have a strong and adequate liquidity management, the Financial Group calculates the Liquidity Coverage Ratio, a short-term metric with the purpose to guarantee that the Financial Group maintains a sufficient level of high-quality liquid assets and free of charge, that could be transformed into cash to satisfy liquidity needs in a 30-day horizon.

	Computable liquid assets	Unweighted amount (Average)	Weighted Amount (Average)
1	Total of Computable Liquid Assets	Not applicable	89,766
2	Non-guaranteed retail financing	140,190	10,107
3	Stable financing	78,236	3,912
4	Less stable financing	61,954	6,195
5	Non-guaranteed wholesale financing	21,199	9,812
6	Operational deposits	-	-
7	Non-operational deposits	21,199	9,812
8	Unsecured debt	-	-
9	Guaranteed wholesale financing	Not applicable	8
10	Additional requirements	91,712	8,037
11	Outputs related to derivative financial instruments and other guarantee requirements	19,485	3,548
12	Outflows related to financing losses of debt instruments	-	-

	Computable liquid assets	Unweighted amount (Average)	Weighted Amount (Average)
13	Lines of credit and liquidity	72,227	4,489
14	Other contractual financing obligations	277	277
15	Other contingent financing obligations	-	-
16	**Total cash outputs**	Not applicable	28,241
17	Cash entries for guaranteed transactions	46,694	-
18	Cash entries from unsecured operations	23,673	14,750
19	Other cash entries	538	538
20	**Total cash entries**	70,904	15,288
21	Total computable liquid assets	Not applicable	89,766
22	Total net of cash outflows	Not applicable	13,145
23	Coefficient of liquidity coverage	Not applicable	726.17%

(a) The main causes of the results of the Liquidity Coverage Ratio and the evolution of its main componentss

During the last quarter of 2020 the CCL has remained above the minimum requirement of the Accounting Criteria regarding the Liquidity Requirements for Credit Institutions of 90%, due to the fact that the Financial Group has a liquid asset position, 1, 2A and 2B sufficient to cover the 30-day liquidity needs.

(b) Changes of the main components within the quarter that is reported

Components	3rd. Quarter 2020	4th. Quarter 2020	Variation	%
Liquid assets	$ 77,715	$ 89,766	$ 12,050	15.5%
Cash inflows	16,828	15,288	(1,541)	(9.2%)
Cash outflows	27,108	28,241	1,133	4.2%

(c) Evolution of the composition of liquid assets eligibles and computables

The liquid assets computables for the CCL for the third and fourth quarter of 2020 are as follows.

Assets level	3rd. Quarter 2020	4th. Quarter 2020	Variation	%
Total	$ 77,715	$ 89,766	$ 12,050	16%
Level I	73,347	85,623	12,276	17%
Level II-A	2,262	1,839	(423)	(19.9%)
Level II-B	2,106	2,304	197	9%

Liquid assets

Assets level	Oct. 2020	Nov. 2020	Dec. 2020
Total	$ 86,669	$ 89,653	$ 92,875
Level I	82,439	85,605	88,730
Level II-A	1,955	1,774	1,785
Level II-B	2,275	2,274	2,360

Currency mismatch

Additionally, the liquidity risk in foreign currency is monitored in accordance with Central Bank's foreign currency investment and acceptance regime, which represents the Financial Group's capacity to meet its short-term liquidity needs (1 to 60 days).

	2020	
	Coefficient amount	Coefficient
January	$ 113,449	0.54%
February	558,642	2.66%
March	1,518,372	1.02%
April	3,561,579	17.79%
May	1,062,201	24.24%
June	1,868,000	10.89%
July	602,182	3.88%
August	1,867,914	9.07%
September	134,716	0.56%
October	343,198	1.49%
November	1,338,067	5.07%
December	900,067	5.14%
Average	$ 1,155,699	6.86%

For the determination of the liquidity ratio, the Financial Group considers the liquid assets in foreign currency in accordance with the provisions of Circular 3/2012 issued by Central Bank in order to cover its liabilities in foreign currency in the maturity dates of the operations.

Degree of centralization of liquidity of the management and interaction between group's units;

Operationally, there are specialized departments that are responsible for monitoring possible mismatches between assets and liabilities operations, timely informing the operating departments (Treasuries) for the proper management of this risk.

The Financial Group has a Back Office Department that is responsible for supervising cash requirements, settlements, custody and any operation related to the Treasury. The Treasury participates in managing national and international balance risk, including contingent accounts and irrevocable credits.

I. Quantitative information:

1. The limits of concentration with respect to the different groups of guarantees received and the main sources of financing

The Financial Group can receive bank guarantees rights derived from bank deposit instruments or other guarantees.

The Financial Group follows a process of administration of all its operations with real guarantees, the responsible department keep a record of all the guarantees of entry and exit. These guarantees are valued daily in order to know and anticipate possible losses due to a decrease in their value due to changes in the market positions, ratings or the Financial Group's financial position. If any guarantee received loses value or increases the possibility of not being able to execute it, the counterparty will be asked to cover the loss of the guarantee or replace it with another of equal or greater value.

2. ***Exposure to Liquidity risk and financing needs at the Financial Group level***

Dentro del proceso para la administración de riesgo de liquidez, se consideran las restricciones legales y operacionales que puedan existir para transferir y recibir recursos, incluidos los regímenes de admisión de pasivos y de inversión para las operaciones pasivas en moneda extranjera de Banxico, adicional se consideran los reportes regulatorios (ACLME Régimen de Inversión, Coeficiente de Cobertura de Liquidez CCL)

3. ***Balance sheet operations broken down by maturity dates and the resulting liquidity gaps, including transactions recorded in memorandum accounts***

With respect to liquidity risk, derivative financial instruments are presented below, an analysis of the assets and liabilities maturities of the liquidity gaps, which shows the remaining contractual maturities.

The risk system uses the traditional asset and liability management model, which consists in characterizing the asset and liability components of each instrument in the portfolio for the different maturity windows. For example, a long position in foreign currency forwards will contain in the analysis in US dollars the asset component in dollars to be received at the Spot exchange rate plus the interest generated by the cost of carrying the liability rate in dollars and in the analysis of national currency the interest of the portion of the cost of carrying the asset position in weights, that is, liquidity risk analysis can be constructed for different windows and time horizons classified by market type and by currency.

The liquidity model considers the quality of liquidity of the portfolio assets, as well as, the mismatch between assets and liabilities and their condition in the term.

Category	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Greater than 360 days
Assets	$ 164,221	$ 46,646	$ 17,069	$ 13,620	$ 7,011	$ 12,106	$ 274,458
Liabilities	196,708	27,390	9,240	4,690	3,928	8,199	181,341
Gap	(32,487)	19,255	7,829	8,930	3,083	3,907	93,116
Cum.Gap	(32,487)	(13,231)	(5,402)	3,528	6,611	10,518	103,634

II. ***Qualitative information:***

The Liquidity Risk objectives are:

- Comply with the Desired Risk Profile defined by the Board of Directors.
- Promote and strengthen an adequate supervision of liquidity risk.
- Quantify liquidity risk through various methodologies.
- Contribute to reduce the risk of financing.
- Promote and strengthen adequate supervision of the Foreign Exchange Position, Pass-Through Admission Regime and Liquid Asset Requirement to offset foreign currency liabilities.
- Maintain an inventory of liquid assets susceptible to be delivered as collateral.
- Determine the extraordinary liquidity requirements in different stress scenarios.
- Report in a timely manner the liquidity risk exposure to the business units, with the General Management, Risk Committee, Board of Directors and Audit.

The manner in which the liquidity risk is managed in the Financial Group, considering for this purpose the tolerance to such risk; the structure and responsibilities for the management of liquidity risk; internal liquidity reports; the liquidity risk strategy and the policies and practices through the business lines and with the Board of Directors.

By policy and given current market conditions, the treasury covers short-term liquidity needs. The Financial Group is seeking to provide stability to deposits in the medium and long-terms, with
issuances.

The UAIR, for the fulfillment of its purpose, will verify the observance of the Desired Risk Profile and the Risk Exposure Limits, as well as the Risk Tolerance Levels acceptable by type of quantifiable risk considering the consolidated risk, disaggregate by Business Unit or Risk Factor, cause or origin of these, using, for this purpose, models, parameters, scenarios, assumptions, including those referring to stress tests and indicators on liquidity risk, to which the Section VIII of Article 81 of the Provisions, for the measurement and control of risk approved by such committee.

The Liquidity Risk reports presented to the Risk Committee, Business Department, the General Manager and the Board of Directors have the purpose of monitoring, measuring, monitoring and controlling the liquidity risks of the main business units. These are the following:

Position Limit Reports, total requirement of liquid assets in foreign currency (Liquidity Coefficient in foreign currency), calculation of Liquidity Coverage ratio, Assets that can be delivered as guarantee, Liquidity Risk Report in MXP (ALM), Diversification Report of the sources of Financing, Advance Sale of Assets and Renewal of Liabilities.

(a) The techniques for mitigating liquidity risk used by the Financial Group

The Financial Group has different indicators that provide useful information to anticipate situations in which liquidity risk increases, these indicators allow detecting the variables that triggered an increase in the liquidity requirement. Which are the following:

1) Total Requirement of Liquid Assets in foreign currency (Liquidity Coefficient in foreign currency).
2) Advance or forced sale of assets at unusual discounts.
3) Potential loss due to the impossibility of renewing liabilities.
4) Evaluation of the diversification of funding sources.
5) ALM.
6) Coefficient of Liquidity Coverage.
7) Net Stable Financing Ratio.
8) Inventory of assets.

(b) Explanation of how stress tests are used;

Stress tests are a management tool for the Financial Group designed to warn various social bodies and the Financial Group's decision-making personnel about possible adverse impacts on liquidity, considering the inherent risks to the operation, as well as the risks generated by factors exogenous to Financial Group.

Consequently, these tests allow to the Financial Group to periodically calibrate both its risk measurement models, as well as the Risk Exposure Limits and the Risk Tolerance Levels established, and so that it can carry out its activity under favorable conditions, in accordance with the risks to which to the Financial Group is exposed.

These tests will not only serve in the processes of the Integral Risk management, but will also be a support tool in the business planning processes, as well as in the definition of the Desired Risk Profile.

(c) Description of contingent financing plans

In order to ensure that the Financial Group maintains its liquidity in moments of financial volatility, in case of unexpected liquidity requirements or when there are problems to settle assets, a Contingency Financing Plan (PFC) is established, where the set of strategies is documented, Policies and procedures that will be carried out to achieve the objective.

The PFC includes those responsible, the events that will trigger the plan, the actions to correct the liquidity, as well as the internal and external communication plan that the Financial Group will implement.

(d) ***Description of the Contingency Plan***

The Financial Group in order to comply with the provisions of Article 119 of the LIC and with the provisions of Article 172 Bis 37 of the Provisions, has developed the Contingency Plan (PC), which details the specific actions that will be carried out by the institution to restore its financial situation to adverse scenarios that could affect its liquidity or solvency.

The Contingency Plan is integrated as follows:

- Government bodies. Participation of administrative units and Financial Group officials in the development, execution and monitoring of PC implementation, description of the policies and procedures for approval of the Plan, the way in which the PC is integrated into the integral management of Risks, internal and external communication in case of the activation of the plan.

- Description of the Financial Group. General description of the Financial Group and its business strategies that identify and explain its business lines, essential functions, as well as the relationship between Inbursa and its financial subsidiaries.

- Quantitative and qualitative indicators of Solvency and Liquidity. Definition of quantitative and qualitative indicators to monitor the solvency and liquidity situation of the Financial Group.

- Recovery Actions. It includes a list of the applicable recovery actions to maintain the Financial Group's financial viability.

Operations with derivative financial instruments

With respect to liquidity risk, an analysis of the assets and liabilities maturities of the liquidity gaps, which shows the remaining contractual maturities.

The risk system uses the traditional asset and liability management model, which consists in characterizing the asset and liability components of each instrument in the portfolio for the different maturity windows. For example, a long position in foreign currency forwards will contain in the analysis in US dollars the active component in dollars to be received at the spot exchange rate plus the interest generated by the cost of carrying the liability rate in dollars and in the analysis of national currency the interest of the portion of the cost carrying the asset position in Mexican pesos, that is, liquidity risk analysis can be constructed for different windows and time horizons over time classified by market type and by currency.

The liquidity model considers the quality of liquidity of the assets portfolio, as well as the mismatch between assets and liabilities and their condition in the term.

Category	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Greater than 360 days
Assets	$ 164,221	$ 46,646	$ 17,069	$ 13,620	$ 7,011	$ 12,106	$ 274,458
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Gap	(32,487)	19,255	7,829	8,930	3,083	3,907	93,116
Cum.Gap	(32,487)	(13,231)	(5,402)	3,528	6,611	10,518	103,634

III. Credit risk

The Credit Risk is defined as the potential loss due to the non-payment of an accredited or counterparty in the operations carried out by the Financial Group, including the real or personal guarantees granted to them.

The objectives of Credit Risk are:

1) Comply with the risk profile subscribed by the Board of Directors.
2) Report timely and in due form to the General Management.
3) Carry out Credit Risk measurements with models and methodologies authorized by the Risk Committee.
4) Know the quality of the portfolio and take timely measures that reduce potential losses due to credit risk.

The Credit Risk policies are:

1) The Credit Committee is the body empowered to approve specific limits for derivative transactions with counterparts.
2) The Risk Committee is the body empowered to approve models, methodologies and procedures to measure, monitor, limit, control credit risk.
3) Evaluate at least once a year that the credit and systems risk model remains adequate.

The Financial Group analyzes credit risk models based on the estimation of the probability of default of each borrower. In addition, in order to manage the risk, the Financial Group considers a number of quantifiable economic factors and variables, as well as qualitative factors that cannot be quantified, and the overall effect of these factors on total portfolio exposure.

In the case of borrowers, the expected loss is calculated using the regulatory model, whose components include the probability of default, severity of loss and exposure to default. The unexpected loss (PNE) is calculated using the Montecarlo methodology by means of simulations and stress is tested by considering different percentiles of the simulated distribution of losses.

The risk credit value and its classification as of December 31, 2020 are as follows

	Balance	Reserve: expected loss	VaR (95%)	PNE
Housing	$ 5,711	$ 348	$ 358	$ 9
Consumer	2,176	259	267	8
Commercial	190,475	3,972	9,322	5,349
Total	$ 198,362	$ 4,579	$ 9,904	$ 5,324

Currency	Performing loan portfolio	Non-performing loan portfolio	Expected loss (PE)	Number of times of PE non-performing loans	% of PE Performing loan portfolio
Mexican pesos	$ 2,231	$ 139,340	$ 2,506	1,12	2%
UDI	0.05	11,817	59	1,158	1%
US dollars	101	64,708	2,029	20	3%

The average value of the credit risk exposure is as follow:

Expected impairment as of	Total
31/01/2020	$ 262
28/02/2020	276
31/03/2020	250
30/04/201|8	331
31/05/2020	364
30/06/2020	386
31/07/2020	483
31/08/2020	363
30/09/2020	395
31/10/2020	396
30/11/2020	464
31/12/2020	513
Average	$ 374

Details of the performing portfolio are presented below:

Concept	Importe
Non-revolving consumer	$ 2,050
Revolving consumer	-
Corporative	75,722
Financial entities	41,057
States and municipalities guaranteed	-
MyPyMes	4,793
	15,346
	76,847
	$ 215,815

Potential credit risk to maturity, as of December 31, 2020 are as follows:

Type of risk	Fair Value	Potential Credit Risk to maturity	% Potential Credit Risk vs Basic CAP
Options			
Variable income	$ 693	-	-
Rate swaps	1,892	302	0.43%
Currencies swaps	(4,828)	1	0.00%
Listed swaps	(626)	-	-
Nominal rate	79,935	91	0.13%
Real rate	5,748	50	0.07%
Futures	(1)	-	-
Forwards	(147)	16	0.02%
Foreign exchange	2,341	53	0.08%
Banco Inbursa	85,007	513	0.73%
Basic capital	$ 69,946		

Furthermore, the Credit Analysis Department performs quarterly portfolio quality follow-up by rating borrowers; it also prepares a daily sectorial analysis of Mexico's main economic sectors. Aside from this quarterly credit follow-up, credit risk concentrations are determined by borrower, risk group and economic activity.

When executing transactions involving futures and forwards contracts, the Financial Group acts in its own name with financial intermediaries and participants authorized by Central Bank, as well as with other participants, which must guarantee the obligations detailed in the contracts executed with the involved parties.

- ***Credit management***

  The credit management evaluation and analysis activities performed by the Financial Group for credit granting, portfolio control and recovery purposes are described below:

- ***Credit analysis***

  Credit control and analysis begin when information is received and continue until the credit is fully paid; during this period, this information passes through the filters applied by the Financial Group's different departments.

  In the case commercial credits, a detailed analysis is performed of the company's financial situation and qualitative aspects; the Financial Group also reviews the borrower's background and consults a credit bureau.

  As regards consumer and housing credits and certain products granted to small and medium enterprises (SMEs), the Financial Group performs parametric analyses and verifies the credit background of each borrower by consulting a credit bureau.

  Credit follow-up and evaluation is performed monthly by issuing regulatory reports to ensure fulfillment of the requirements established by the Financial Group's regulatory authorities. Likewise, it prepares monthly internal reports and updates.

  The Financial Group has developed specific credit granting policies according to the requested product or credit type. As regards commercial credits: i) the empowered entities (Credit Committee) determine basic credit conditions involving amounts, guarantees, periods, rates and commissions, among others; ii) the Credit Operation Department ensures the proper documentation of approved credits; iii) credits cannot be utilized without the approval of the credit operation.

  With regard to the evaluations performed before granting consumer credits, the Credit Committee authorizes the retail credit analysis department to approve or reject credits requested for up to the amount of ten million Mexican pesos, albeit with specific limits regarding amounts, periods, rates, and guarantees, among others. In this regard, the Retail Credit Analysis Department is responsible for the authorization, instrumentation, custody and provision of documentation follow-up for this type of credit.

  The Financial Group has established different credit recovery procedures, which includes credit restructuring negotiations and legal collection procedures.

- ***Risk concentration determination***

  The policies and procedures used by the Financial Group to determine the credit portfolio risk concentrations are summarized below:

- Financial Group requires that borrowers with authorized credit lines equal to or exceeding the amount of thirty million UDI provide the information detailed in instruction guidelines to determine joint risks. This data is included in a customer association process to determine and update credit portfolio risks.

- Before credit lines are authorized, the Credit Analysis Department verifies that not exceed the maximum quarterly financing levels established by the Financial Group or those determined by the regulatory authorities.

- If a credit transactions exceed the limits established by the Financial Group for reasons other than credit granting, the involved departments are notified of the implementation of the required corrective measures.

- The Credit Analysis Department is responsible to notifying the Commission whenever joint risk limits are exceeded.

- ***Distressed portfolio identification***

  The Financial Group monthly analyzes the economic environment in which its borrowers operate, with the objective to identify any indications of a distressed portfolio.

  The Financial Group has the policy of identifying and classifying commercial credits in which, based on current information and facts and the credit review process, the principal and interest established according to the originally agreed terms and conditions are unlikely to be fully recovered. Both performing and non-performing portfolios may be identified as distressed portfolios.

- ***Risk policies applied to derivative products*** - When performing transactions with derivative financial instruments, the Financial Group's objectives include the following: i) ensuring active short and medium-term participation in these markets; ii) providing derivative market products to fulfill its customers' requirements; iii) identifying and taking advantage of derivative product market conjunctures; and iv) hedging against the risks derived from any unusual underlying variations (currencies, rates, shares, etc.) to which it is exposed.

  In general terms, the risk assumed when performing currency derivative transactions involves the Mexican peso rate because future US dollars are placed as a credit portfolio or other assets. These transactions involve a counterparty risk.

  The Financial Group's policies establish that risk positions in securities and derivative financial instruments cannot be taken by a broker. The decision to assume risks is exclusively made by senior Management through its collegiate entities. The Risks Committee determined that the Financial Group's positions must be adjusted as follows:

	Maturity less than a year (*)
Nominal rate	2.5
Real rate	2.5
International bonds	2.5
Derivatives	2.5

(*) Multiplied by the basic capital of the last quarter calculated by Central Bank

Documentation of hedge files

In the case of derivative financial instruments held for hedging purposes, the Financial Group's Management documents hedge files to demonstrate their efficiency according to the considerations detailed in the accounting criteria issued by the Commission. Hedges file are designated when a transaction involving a derivative financial instrument is contracted or at a later date, provided the instrument can be classified as such and the formal documentation conditions established by accounting standards are fulfilled.

The documentation prepared by the Financial Group regarding hedge ratios includes the following aspects:

1) The risk management strategy and objective, as well as the rationale used to perform the transaction.

2) The specific risk or risks to be hedged.

3) The identification of the primary position covered by the hedge and the derivative financial instrument utilized for this purpose.

4) The manner in which hedge effectiveness is initially evaluated (prospectively) and subsequently measured (retrospectively) by applying exposure to the fair value changes of the primary position attributed to hedged risks.

5) The treatment of the total gain or loss generated by the hedge instrument when determining its effectiveness.

The effectiveness of derivative financial instruments used for hedging purposes is evaluated monthly. If Management determines that a derivative financial instrument is not highly effective as a hedge, the Financial Group prospectively ceases to apply the hedge accounting scheme to it.

- ***Obligations with counterparties***

Derivative financial transactions performed outside recognized markets are documented through an outline agreement that establishes the following obligations for the Financial Group and its counterparties:

- Deliver the accounting and legal information agreed by the parties in the transaction supplement or confirmation.

- Deliver any document agreed in the transaction supplement or confirmation to the other party.

- Comply with applicable laws, regulations and provisions.

- Ensure in force any internal authorization, governmental or any other kind of authorization needed to comply with the obligations assumed under the terms of the executed contract; and

- Immediately notify the other party in writing when obtaining knowledge of any situation implying the early termination of the outline agreement.

- ***Regulatory standards***

According to the regulatory standards issued by Central Bank with regard to derivative financial instruments, the Financial Group must comply with Circular 4/2012. Aside from establishing rules for the operation of derivative financial instruments, these standards require that the Audit Committee of each credit bank issue an annual communicate to confirm its compliance with the provisions issued by Central Bank for this purpose.

The Financial Group is also subject to the provisions issued by the Commission in relation to transactions performed with derivative financial instruments, which include aspects regarding the treatment, documentation and recording of these transactions and their respective risks, as well as other aspects involving the recommendations given to customers when executing this type of contract.

Transactions involving derivative financial instruments, whether intended for trading or hedge purposes, are recognized according to their intention of use and are valued at fair value.

IV. ***Non-discretionary risks:*** are those resulting from the operation of the business, but which are not the product of taking a position of a risk. These include: technological risk, legal risk and operational risk. The Level of Risk Tolerance that is set for these risks is 20% of the average of the last 36 months of Monthly Net Income.

Technological risk - The corporate strategy employed to manage the technological risk is based on a general contingency and business continuity plan that considers the recovery of critical mission operations in the Financial Group's systems, together with the use of firewalls, the management of confidential online information and systems access security.

Legal risk - The specific legal risk policy utilized by the Financial Group defines the following:

1. The Operational Risk Department will calculate the potential loss that the Financial Group could have due to the issuance of adverse judicial or administrative resolutions or the application of sanctions by the competent authorities.

2. The UAIR monthly informs the Risks Committee of the legal risk of the Financial Group for follow-up purposes.

3. In conjunction with the Documentation Traffic Department, the financial advisor is responsible for the complete and correct maintenance of customer files as regards legal documents, agreements or contracts.

4. The Legal Department must monitor the adequate execution of agreements or contracts, including the formalization of guarantees to avoid transaction performance defects.

5. It is the responsibility of the Litigation Legal Department to register, classify and quantify in the JIRA system all the Judgements in which the Bank is charged, as well as to keep the status of the same up to date

Calculation of the potential loss due to legal risk

The calculation is made taking into consideration the following premises:

- Litigation in which Society is "accuser" or "defendant"
- Trial status at the month-end closing which is "in force"
- Classification of the trial in the field of probable result is "unfavorable"

Calculation methodology

Unfavorable frequency = (Total unfavorable judgments) / (Total judgments to litigate)
Severity unfavorable = (∑ unfavorable amount demanded) / (Total unfavorable amount)
Potential loss = (∑ unfavorable quantity demanded) x (Unfavorable frequency)

As of December 31, 2020, the loss expected from unfavorable verdicts is of $61.49.

Operating risk - For the calculation of the equity requirement for operational risk, the method used by the Financial Group is the basic.

As internal operating risk models are not currently available, the occurrence of operating risks is estimated by means of the simple arithmetic average of the fine and bankruptcy accounts of the last 36 months.

As of December 31, 2020, the monthly average of the fine and bankruptcy, considering the last 36 months amounted to $15.65.

V. ***Of the non-quantifiable risks:*** they are those that are derived from unexpected events, for which it is not possible to conform a history that allows to show what the losses would be. These include: Strategic Risk, Reputation Risk and Business Risk.

Strategic risk: - are those losses that the Financial Group may face due to adverse business decisions, inappropriate application of decision making, or deficiency of the capacity to respond to changes in the industry, which may affect the objectives set forth in the budget.

This risk will be measured with reference to the evaluation of the effectiveness of the hedges of derivative financial instruments.

Indicator	Limit
Evaluation of the effectiveness of the coverage	80% ≤ Coef ≤ 125%

Reputation risk -are those losses that the Financial Group may confront, due to an action, situation or transaction, which may reduce confidence in the integrity and competence of customers, stockholders, employees or the general public, that is, there is an impairment of the perception of the Financial Group. This risk is measured in relation to complaints.

Indicator	Limit
Total of complaints	≤ 10,000

Business risk: are those losses that the Financial Group may confront, resulting from the characteristics of its business, economic changes or in its environment.

Indicator	Limit
ICOR Commercial	At least 0.8 times
ICOR Consumer	At least 1 time
ICOR Housing	At least 0.4 times

On December 31, 2020, no relevant events have been reported.

42. Leverage ratio (unaudited)

In accordance with the compliance with the Basel supervision agreements and in force Provisions, the leverage ratio is calculated according to the methodology established by the Commission, in order to see if the equity of the Financial Group adequately supports the assets of the Financial Group itself.

The following is the leverage ratio as of 2020:

Reference	Description	Amount
On balance sheets exposure		
1	In-balance sheet items (excluding derivative financial instruments and securities lending and securities lending - including collaterals received as collateral and recorded on the balance sheet)	$ 336,787
2	Amounts of assets deducted to determine the equity Tier 1 of Basel III	(27,786)
3	In-balance sheet exposures (net) (excluding derivative financial instruments and FTS, sum of lines 1 and 2)	309,001
Exposures to derivative financial instruments		
4	Current replacement cost associated with all transactions with derivative financial instruments (net of the allowable cash variation margin)	8,007
5	Amounts of additional factors for potential future exposure associated with all derivative financial transactions	5,672
6	Increase by collateral provided in transactions with derivative financial instruments when such collateral is derecognized from the balance sheet according to the operating accounting framework	-
7	Deductions from accounts receivable by margin of variation in cash provided in transactions with derivative financial instruments	(657)
8	Exposure to derivative financial instruments on behalf of clients, in which the liquidating partner does not grant its guarantee in case of non-compliance with the obligations of the Central Counterparty	-
9	Effective adjusted notional amount of the underwriting credit derivatives	-
10	Compensations made to the adjusted effective notional of the credit derivative financial instruments subscribed and deductions of the additional factors by the credit derivative financial instruments subscribed	-
11	Total exposures to derivative financial instruments (sum of lines 4 to 10)	13,022
Exposure to securities financing operations		
12	Gross SFT assets (without offsetting recognition), after adjustments for sales accounting transactions	37,245
13	Accounts Payable and Receivable for offset SFTs	-
14	Exposure Risk of Counterparty by SFT	-
15	Exhibitions by SFT acting on behalf of third parties	-
16	Total exposures for securities financing operations (sum of lines 12 to 15)	37,245

Reference	Description	Amount
Other off-balance sheet exposures		
17	Exposición fuera de balance (importe nocional bruto)	59,143
18	Ajustes por conversión a equivalentes crediticios	(15,557)
19	Partidas fuera de balance (suma de las líneas 17 y 18)	43,586
Capital y exposiciones totales		
20	Capital de Nivel 1	70,125
21	Exposiciones totales (suma de las líneas 3, 11, 16 y 19)	402,854
Coeficiente de apalancamiento		
22	Coeficiente de apalancamiento de Basilea III	17.41%

Notas explicativas de la razón de apalancamiento

Reference	Explanation
1	Total assets of the Bank without consolidating subsidiaries or special purpose entities less the assets presented in such balance sheet by: 1) operations with derivative financial instruments, 2) repurchase transactions and 3) securities lending.
2	Amount of deductions of the basic capital established in items b) to r) of fraction I, of Article 2 Bis 6 of the General Provisions Applicable to Credit Institutions (the Accounting Criteria). The amount must be registered with a negative sign.
3	Sum of lines 1 and 2
4	Current replacement cost (CR) of transactions with derivative financial instruments, as set out in Schedule 1-L of the Provisions, less partial cash settlements (margin of variation in cash) received, provided that Following conditions: a) In the case of counterparties other than the clearing houses mentioned in the second paragraph of Article 2 Bis 12 a, the cash received must be available to the Financial Group. b) The market valuation of the transaction is performed daily and the cash received is exchanged with the same frequency. c) The cash received as well as the operation with the derivative instrument are denominated in the same currency. d) The exchange variation amount in cash is at least the amount necessary to cover the fair value considering the threshold and the minimum amount transferred agreed in the corresponding framework contract. e) The framework contract with the counterparty must consider both the transaction and the margin of variation, and must stipulate explicitly that the liquidation, in case of default, bankruptcy, restructuring or insolvency, of any of the parties, will be made after clearing the operations and will consider the cash variation margins received. In any case, the maximum amount of cash variation margins that may be considered will be the one corresponding to the positive value of the current replacement cost of each counterparty.

Reference	Explanation
5	Additional factor according to Appendix 1-L of the Provisions, of operations with derivative financial instruments. In addition, in the case of credit derivative financial instruments in which credit protection is provided, the conversion value to credit risk must be included in accordance with Article 2 Bis 22 of the Provisions. Under no circumstances may the financial collateral received by the Financial Group be used to reduce the amount of the additional factor reported in this line.
6	Does not apply. The accounting framework does not allow for the write-off of assets delivered as collateral.
7	Amount of cash variation margins delivered in transactions with derivative financial instruments that comply with the conditions indicated in line 4 to subtract the cash variation margins received. The amount must be registered with a negative sign.
8	Does not apply.
9	Does not apply. The exposure considered for purposes of the solvency framework in operations with credit derivative financial instruments in which credit protection is provided corresponds to 100 percent of the amount effectively guaranteed in the transactions in question. This exhibition is considered in line 5.
10	Does not apply. The exposure considered for purposes of the solvency framework in operations with credit derivative financial instruments in which credit protection is provided corresponds to 100 percent of the amount effectively guaranteed in the transactions in question. This exhibition is considered in line 5.
11	Sum of lines 4 to 10
12	Amount of assets recorded on the balance sheet (accounts receivable recorded in books) of repurchase agreements and securities loan transactions. The amount must not consider any offsetting in accordance with the Accounting Criteria.
13	Positive amount resulting from deducting the accounts payable from the accounts receivable generated in repurchase agreements and security loan transactions, on its own account, with the same counterparty, subject to the following conditions: a) The respective transactions must have the same settlement date. b) There must be the right to settle the transactions at any time. c) The transactions must be settled in the same system and there must be a settlement mechanism or arrangements (lines or guarantees) which enable the settlement to be made at the end of the day on which the decision is taken to settle. d) Any problem related with the settlement of the flows of the collateral in the form of securities, must not hinder the settlement of the accounts payable and receivable in cash. The amount should be recorded with a negative sign

Reference	Explanation
14	Credit risk conversion value of the repurchase agreements and securities loan transactions on its own account, in accordance with Article 2 Bis 22 of the Provisions applicable to Credit Institutions, when there is no framework offsetting contract; and in accordance with Article 2 Bis 37 when such contract exists. The above does not consider adjustments for admissible security interests which are applied to the collateral within the context of capitalization.
15	For repurchase agreements and securities loan transactions on account of third parties, in which the Financial Group provides collateral to its customers in the event of counterparty default, the amount which should be recorded is the positive difference between the value of the security or cash that the customer has paid and the value of the collateral which the recipient has provided. Furthermore, if the Financial Group can use the collateral delivered by its customers, on its own account, the amount equivalent to the value of the securities and/or cash delivered by the customer to the Financial Group.
16	Sum of lines 12 through 15
17	Amounts of credit commitments recognized in memorandum accounts in accordance with the Accounting Criteria.
18	Amounts of reductions in the value of credit commitments recognized in memorandum accounts for application of the credit risk conversion factors established in Title First Bis of the Provisions, on the basis that the minimum credit risk conversion factor is 10% (in those cases where the conversion factor is 0%) and in the case of transactions referred to in subsection IV of Article 2 Bis 22 of such Provisions, a credit risk conversion factor of 100%. The amount should be recorded with a negative sign.
19	Sum of lines 17 and 18
20	Basic capital calculated in accordance with Article 2 Bis 6 of the Accounting Criteria
21	Sum of lines 3, 11, 16 and 19.
22	Leverage Ratio. Coefficient of line 20 divided by line 21.

Adjusted assets

Explanatory notes for the adjusted assets

Reference	Description	Amount
1	Total assets	$ 382,662
2	Adjustment for investments in the equity of banks, financial banks, insurance companies or commercial entities which consolidate for accounting purposes, but remain outside the scope of regulatory consolidation.	-

Reference	Description	Amount
3	Adjustment related to fiduciary assets recognized on the balance sheet in accordance with the accounting framework, but excluded from the measurement of the exposure of the leverage coefficient.	-
4	Adjustment for financial derivatives.	3,174
5	Adjustment for repurchase agreements and securities loans transactions.	1,218
6	Adjustment for items recognized in memorandum accounts.	43,586
7	Other adjustments.	(1,644)
8	Exposure to the leverage coefficient	$ 402,854

Reference	Description
1	Total assets of the Bank without consolidating subsidiaries or special purpose entities.
2	Amount of deductions of basic capital contained in subsections b), d), e), f), g), h), i), j) and l) of section I, Article 2 Bis 6 of the Provisions. The amount should be recorded with a negative sign.
3	Not applicable. The scope of application is for the Bank, without consolidating subsidiaries or special purpose entities.
4	Amount equivalent to the difference between the figures contained in row 11 of Table I.1 and the figures presented in transactions with financial derivatives contained on the balance sheet of the Bank. The amount should be recorded with the sign resulting from the difference indicated; i.e., it may be positive or negative.
5	Amount equivalent to the difference between the figures contained in row 16 of Table I.1 and the figure presented for repurchase agreements and loan securities transactions contained on the balance sheet. The amount should be recorded with the sign resulting from the difference indicated; i.e., it should be positive or negative.
6	Amount recorded in row 19 of Table I.1. The amount should be recorded with a positive sign.
7	Amount of the deductions of basic capital contained in subsections c), k), m), n), p), q) and r) of section I of Article 2 Bis 6 of the Provisions. The amount should be recorded with a negative sign.
8	Sum of lines 1 to 7, which should match line 21 of table I.1.

Reconciliation between Total Assets and the exposure within the Balance

Reference	Description		Dec-20
1	Total assets	$	382,662
2	Transactions in derivative financial instruments		(9,848)
3	Repurchase transactions and securities lending		(36,027)
4	Fiduciary assets recognized in the balance sheet in accordance with the accounting framework, but excluded from the exposure measure of the leverage ratio		-
5	Exhibitions within the Balance	$	336,787

Explanatory notes to the reconciliation between the Total Asset and the exposure within the Balances

Reference	Description
1	Total Financial Group assets without consolidating subsidiaries or specific purpose entities
2	The amount corresponding to transactions in derivative financial instruments presented in the assets of the latest consolidated financial statements. The amount must be recorded with a negative sign
3	The amount corresponding to repurchase transactions and securities lending presented in the assets of the last consolidated financial statements. The amount should be recorded with negative sign.
4	Not applicable. The scope of application is without consolidating subsidiaries or specific purpose entities.
5	Sum of lines 1 to 4, which must coincide with line 1 of Table I.1

Main causes of the most important variations of the elements (numerator and denominator of the leverage ratio)

Concept/quarter		Sep-20		Dec-20	Variation (%)
Basic capital 1/	$	69,946	$	70,125	0.2%
Adjusted assets 2/		437,522		402,854	(7.9%)
Leverage ratio 3/		15.99%		17.41	1.42%

43. Financial and operational impacts from COVID-19

The Financial Group has implemented different operational and business measures which has the objective to improve the performance of its resources and minimize the financial impacts of this adverse environment. Some of the main measures are as follows:

a) Credit-granting processes, mainly those focused on the commercial portfolio, were strengthened. This led to a $21,727 loan portfolio being contracted during 2020.

b) As mentioned in Note 12, in the months from March to December, credit restructurings of $6,719 were carried out.

c) Whereas some economic sectors of the country will have a slow economic recovery process, the Financial Group maintains additional reserves as of 31 December 2020 than those required by the Commission amounting to $1,421; which were constituted on the basis of the methodology explained in Note 3; which the Management believes will be sufficient to deal with any potential future contingencies.
d) 251 branches were closed, representing 28% of the total branches with which the Financial Group operated as of December 31, 2019. (unaudited information)

44. Subsequent events

Sinca Inbursa Split - The Financial Group intends to split a smaller part of its assets, liabilities and capital, from its subsidiaries Promotora Inbursa, S.A. de C.V. and Sinca Inbursa, S.A. de C.V. (subsidiary of the Bank). The proposed split will lead to a newly created company whose shares will be traded on the stock market and its main objective will be to expand the investment portfolio, continuing to help accelerate and strengthen the development of companies and projects in various sectors.

45. New accounting pronouncements

As of December 31, 2020 the CINIF has issued the following NIF and Improvements to NIF which may impact on the Financial Group´s consolidated financial statements.

Effective as of January 1, 2021, although early adoption is permitted during 2020:

NIF C-17 Investment properties (NIF C-17) – Given the absence of a NIF establishing the bases used for the accounting recognition of investment properties (held to obtain rental income or for capital appreciation purposes), entities have applied the guidance set forth in Circular 55 issued by the Accounting Principles Commission of the Mexican Institute of Public Accountants, which only allows the use of the acquisition cost model for valuation purposes. The main change detailed in NIF C-17 involves the possibility whereby investment properties held for capital appreciation purposes may be optionally valued at their acquisition cost or fair value. If the Entity opts to apply the fair value model, at each financial statement closing date, investment properties shall be valued at their fair value determined in accordance with NIF B-17, Determination of fair value. The losses or gains derived from valuation adjustments must be recognized in comprehensive income or other comprehensive income (OCI) of the period in which they arise. When the entity disposes of the asset in question, OCI must be recycled to results.

This NIF establishes that investment properties must be recognized in the consolidated statement of financial position when asset definitions are fulfilled; i.e., when, for the entity, investment properties:

a) Are an economic resource to which it is entitled;
b) Have the potential to generate economic benefits;
c) Are under its control; i.e., when it is able to manage its utilization and obtain the respective future economic benefits, while restricting third-party access to this control and economic benefits; and
d) Arose as a result of past events that affected the entity economically.

NIF C-22, *Cryptocurrencies* (NIF C-22)- Establishes valuation, presentation and disclosure standards for the recognition of the following items in the financial statements:

a) Investments in cryptocurrencies;
b) Accounts receivable and accounts payable denominated in cryptocurrencies;
c) If applicable, mining expenses incurred to obtain cryptocurrencies;
d) The cryptocurrencies which the entity does not own, but which it holds in custody.

Cryptocurrencies must be initially recognized at their acquisition cost. Subsequently, at the date of the statement of financial position, they shall be valued at their fair value in conformity with NIF B-17, Determination of fair value, while valuation effects shall be recognized in results. However, the absence of an active market for trading cryptocurrency implies that its recovery is unlikely as there is no other way of obtaining its economic benefits. Accordingly, NIF C-22 requires that a cryptocurrency valuation utilize a Level 1 fair value and, if applicable, Level 2, but only if it is determined in accordance with NIF B-17. If these determinations cannot be made, the total fair value of a cryptocurrency must be considered to be equal to zero.

NIF, which took effect as of January 1, 2021, although early adoption in 2020 was permitted:

Improvements to the 2021 NIF that generate accounting changes:

NIF C-2, Investment in financial instruments – Provides the option of valuing investments in negotiable capital instruments through net profit or loss in such a way that subsequent fair value changes affect other comprehensive income (OCI); this option enhances convergence with IFRS 9, Financial instruments.

The Improvements to the 2021 NIF 2021 include improvements that do not generate accounting changes and which are essentially intended to enhance the accuracy and clarity of regulatory principles.

New accounting pronouncements issued by the Commission that will enter into force in 2021 and in later periods

Effective credit portfolio interest rate - On March 13, 2020, the Commission published in the Official Journal of the Federation (DOF) a resolution by which the application of the effective interest rate referred to in Criterion B-6 "Credit Portfolio" shall apply to credit institutions from January 1, 2022, and the initial cumulative effect on the outcome of previous years must be recognised as a practical solution on that date. During the 2021 financial year, institutions may continue to use the contractual interest rate in determining the amortized cost. Credit institutions shall disclose in notes to the financial statements for the 2022 financial year the adjustments made in determining the initial effects of the effective interest rate.

Allowance for loan losses. By a decision amending the Provisions issued on March 13, 2020 in the DOF, different updates were made:

1. *Updating the model and parameters* – The Commission identified opportunities for improvement to the current methodology by which it believes that a better estimate of risk parameters will be obtained, because they resulted in a simplification of the probability of non-compliance models, eliminating redundant or limited access variables and finally, incorporating a graduality in the estimation of the severity of the loss for arrears

   On the other hand, as part of the process of continuously updating portfolio rating regulation, the Commission re-calibrated the methodologies for calculating reserves with an expected loss approach to the commercial portfolio.

   Finally, clarifications and pressures were made to the Provisions to grant legal certainty to credit institutions in the application of calculating the capital requirement for the adjustment of credit valuation, because some credit institutions were considering in fractions of the year the variable called "Effective or Expiration Term" in derivative transactions with timeframes less than one year, being that the value of this must be limited to one year.

   Updates and modifications will effective on January 1, 2021.

2. *Adoption of an Internal Reserve Methodology based on NIF C-16 Impairment of Receivables Financial Instruments (IFC)" (NIF C-16)*

   a. The Accounting Criteria applicable to credit institutions are reformed to make them consistent with national and international financial reporting standards, and allow with clear financial information comparable to other countries.

   b. Se reforma la metodología para calificar la cartera crediticia de las instituciones de crédito, modificando el concepto de cartera vigente y cartera vencida, por cartera en etapas 1, 2 o 3, lo que permitirá que las propias instituciones de crédito controlen de mejor manera el riesgo de crédito al que se encuentran sujetas y establezcan de manera consistente a esos riesgos, las estimaciones preventivas para riesgos crediticios.

   c. Because the identification of the level of impairment of the loan portfolio must take place before non-compliance, taking into account, among the main factors, significant increases in credit risk indicators, degradation in the external rating of the instrument or accredited, significant risk increases in other instruments of the same accredited, delinquency information, significant impairments in market indicators , significant changes in the value of the guarantees or the operational results of the accredited, including those of the economic environment, are made modifications to the provisions to allow internal models, or those based on NIF C-16 "Impairment of Financial Instruments Receivable (IFC)", to qualify credit portfolio.

d. Adaptations are made to the provisions for the estimation of expected losses to be made by credit institutions considering 3 stages depending on the level of credit impairment of the assets, being

- Stage 1 which will incorporate financial instruments whose credit risk has not increased significantly since their initial recognition and the estimate shall be constituted for a period of 12 months;
- Stage 2 will incorporate the instruments in which there has been a significant increase in credit risk since its initial recognition,
- Stage 3 shall encompass instruments in which there is objective evidence of impairment and which, in stage 2 such as stage 3, provide that credit institutions shall constitute preventive estimates for the remaining maturity period;

e. In order to contribute to the solvency, stability and proper functioning of credit institutions, by having preventive reserves for credit and capitalization risks consistent with each other, in protecting the interests of the saving public, the provisions for incorporating internal methodologies to more accurately measure credit risk are reformed and therefore , the minimum guidelines for the development of parameters and rating systems are established, including the need to define impairment stages with minimum criteria and, in an indispensable way, that credit institutions have been or are to be authorised by the Commission to use internal models for the calculation of capitalisation requirements.

f. In the case of using internal models, the obligation for credit institutions to verify compliance with the model authorised by the Commission is established, laying down the necessary requirements for that purpose.

In the DOF as December 4, 2020 by an Amendment Resolution, the Commission establishes the methodology for the recognition of allowance based on NIF C-16:

a) Credit institutions, in order to constitute the amount of the allowance for loan losses as established, may select for one of the alternatives identified in the following fractions:

I. They shall recognize in the equity, as a result of previous years, as of January 31, 2022, the initial cumulative financial effect arising from applying for the first time the appropriate credit portfolio rating methodology, provided that it discloses in the appropriate quarterly and annual financial statements for the 2022 financial year, as well as in any public reporting of financial information, at least the following:

- The qualification methodology used to constitute the amount of reserves;
- That it selects to perform the recognition of the initial cumulative financial effect arising from the first application of this Resolution;
- A comprehensive explanation of the accounting record made for the recognition of that effect;
- The amounts that would have been recorded and presented both in the statement of financial position and in the comprehensive statement of income of having chosen to carry out the recognition of the effect mentioned above in the results of the financial year, and
- A detailed explanation of the items and amounts for which the accounting affectation was made.

For the purposes of this fraction, the difference resulting from subtracting on the same date the reserves to be constituted by the balance of the Loan Portfolio under this instrument shall be understood as the initial cumulative financial effect, applying the methodology by which they have chosen in force as of January 1, 2022, less the reserves that would be made by the balance of that portfolio, with the methodology in force until December 31, 2021.

II. Constitute the amount of 100% allowance for loan losses within 12 months from January 31, 2022. In this regard, credit institutions shall cumulatively constitute such allowance in accordance with the following formula

MEFACIi = MEFACI x (i/12)

Where:

MEFACIi = Amount of allowance to be recognized in the equity for the loan portfolio corresponding to month i.

MEFACI = Amount of allowance to be constituted by the initial cumulative financial effect referred to in fraction I of this transitional article.

i = 1, ..., 12, where 1 represents the first month after the entry in force referred to in the first transitional article of that amendment decision.

Credit institutions shall disclose in the quarterly and annual financial statements for the 2022 financial year the effect arising from this calculation, as well as in any public statement of financial information, at least the following:

a. The qualification methodology used to constitute the amount of allowance under this fraction;
b. That it selects to perform the recognition of the initial cumulative financial effect arising from the first application of these allowance in accordance with this fraction;
c. A broad explanation of the calculation made under this formula and its effect on both the statement of financial position and the statement of comprehensive income, as well as on its capitalization index and components, and
d. A detailed explanation of the items and amounts for which the accounting affectation was made.

Where the amount of allowance for loan losses to be constituted by the application of the methodology used as of January 1, 2022 is greater than the balance of the result item from previous years, the resulting difference shall be recognized in the results of the corresponding financial year.

Where the allowance for loan losses incorporated prior to January 1, 2022 are greater than 100% of the amount required under the methodology chosen in force from that date, credit institutions shall release the surplus reserves in accordance with the accounting criteria referred to in Article 174 of the Provisions Applicable to Credit Institutions.

Credit institutions shall be 100% of the amount of allowance for loan losses corresponding to the rating of the Loan Portfolio, derived from the use of the applicable methodology, as of December 31, 2022.

b) As a practical solution, credit institutions in the application of the accounting criteria set out in Appendix 33 as amended may recognise on the date of initial application, i.e., January 1, 2022, the cumulative effect of the accounting changes resulting from this Resolution. In any event, credit institutions shall disclose in notes to the financial statements the main changes in accounting regulations that affect or could significantly affect their financial statements, as well as the mechanics of adoption and adjustments made in determining the initial effects of the application of the accounting criteria contained in this Resolution.

The quarterly and annual consolidated basic financial statements required of the institutions, in accordance with these provisions for the period ended December 31, 2022, shall not be comparative with each quarter of the 2021 financial year and for the period ended December 31, 2021.

The effects arising from the application of the amended accounting criteria shall be recognised by making the corresponding impacts on the equity within the result of previous years

Upon entry into force of this resolution any reference to the "balance sheet" or "statement of income" contained in the Provisions shall be understood to be the "financial statement" and the "comprehensive statement of income", respectively. In addition to the above, a portfolio with stage 3 credit risk, which was previously understood as an overdue portfolio, shall mean. Finally, references to the term retained securities at maturity shall be understood to be financial instruments for collecting principal and interest (values). This is consistent with the "Accounting Criteria applicable to credit institutions" contained in Appendix 33 to those Provisions."

3. *Leases.* In the DOF of December 4, 2020, by Amendment Resolution, the Commission established that credit institutions acting as lessees in leases previously recognized as operating leases shall initially recognize the lease liability in accordance with paragraph 81.4(a) of NIF D-5 "Leases" (NIF D-5), and right of use assets, in accordance with numeral (ii), subsection (b) of paragraph 81.4 of NIF D-5.

   For those credit institutions required to determine and report financial information to their holding company, related to the initial application of the lease standard since 2019 financial year, they may record in the results of previous years the difference between the amount determined and reported to that holding company, and the initial effect determined on January 1, 2022 for the purposes of the initial application of the NIF D-5.

Approval of Accounting Criteria by the Commission:

In the DOF on December 4, 2020 by Amendment Resolution, the Commission states that NIFs B-17 "Determination of Fair Value", C3 "Accounts Receivable", C-9 "Provisions, contingencies and commitments", C-16 " Impairment of financial instruments receivable", C-19 "Financial Instruments Payable ", C-20 " Financial instruments to collect principal and interest", D-1 "Revenue from contracts with clients", D-2 "Costs for contracts with clients" and D-5 "Leases", issued by the Mexican Financial Reporting Standards Board, A.C. and referred to in paragraph 3 of Criterion A-2 "Application of Particular Standards" of Appendix 33 as amended by this instrument shall enter in force on January 1, 2022.

As of the date of issuance of these consolidated financial statements, the Financial Group is in the process of evaluating and determining the effects of these new standards on its financial information.

46. Authorization for issuance of consolidated financial statements

On March 22, 2021 the accompanying consolidated financial statements and the corresponding notes were authorized by the Financial Group's Management for issuance, consequently they do not reflect the events that occurred after that date and are subject to the approval of the Financial Group's Ordinary General Stockholders' Meeting, who can decide their modification in accordance with the General Law of Commercial Companies. Also, they are subject to review by the Commission, therefore they could be modified as a result of the review by this supervisory authority. The consolidated financial statements as of December 31, 2019 were approved by the Financial Group's Stockholders' Meeting held on April 29, 2020.

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